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CANADA'S RESPONSE TO THE CALL FOR A NEW INTERNATIONAL ECONOMIC ORDER

by

© ROGER B. EHRHARDT

A Thesis

Submitted to the Faculty of Graduate Studies and Research

in partial fulfilment of the requirements for the degree

of Master of Arts

Department of Political Science

Edmonton, Alberta

Spring, 1977

THE UNIVERSITY OF ALBERTA

FACULTY OF GRADUATE STUDIES AND RESEARCH

The undersigned certify that they have read, and recommend to the Faculty of Graduate Studies and Research, for acceptance, a thesis entitled "Canada's Response to the Call for a New International Economic Order" submitted by Roger B. Ehrhardt in partial fulfilment of the requirements for the degree of Master of Arts.

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ABSTRACT

This thesis is not so much concerned with the nature of Canada's response to the call for a New International Economic Order as it is with the influences behind Canada's response. It examines three foreign policy environments--the external environment, the domestic environment and the organizational environment--to determine which factors within these environments have the greatest impact on Canada's trade and development policies.

The analysis of the external environment focuses on Canada's relations with both the industrial and the Third World countries. It shows that politically, economically and strategically Canada's interests lie with the major industrial countries, notably the United States, and hence, Canada's policies will be subject to a conservative influence from these countries.

Within the domestic environment, the roles of domestic economic factors, "attentive publics" and domestic interest groups are examined. This examination reveals that the strength in this environment lies with conservative-oriented groups--the non-governmental organizations that support more progressive action are comparatively weak and poorly organized.

The analysis of the organizational environment focuses on the actions of interdepartmental committees in the federal bureaucracy. Incorporating information that was obtained through interviews with members of the federal public service, this review suggests that the conservative-oriented departments--Finance and Industry, Trade and Commerce--are the most powerful members of the interdepartmental committees and therefore, progressive recommendations do not even get a hearing in the bureaucracy.

This study concludes that the three foreign policy environments all exert a conservative influence on Canada's trade and development policies and that, in the short-run at least, these influences are not likely to change.

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I would like to acknowledge the assistance of a number of people who made this task less arduous: John Dillon of GATT-Fly; Professor G. K. Helleiner of the University of Toronto and Bernard Wood of the North-South Institute for helping me to gather background information and to initiate contact with public servants in Ottawa; Professor D. W. Middlemiss and Professor R. A. Pendergast for their comments on earlier drafts of this thesis; representatives of the public service in Ottawa for supplying me with pertinent information in their "off-the-record" interviews; Myrna Garanis, Political Science Librarian, for constantly bringing new articles and publications to my attention; and, most importantly my Supervisor, Professor Larry Pratt, for his guidance and encouragement and for his willingness to devote his time to my efforts.

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Chapter I

INTRODUCTION

> Moreover, the triumph of conservatism . . . was the result not of any impersonal mechanistic necessity, but of the conscious needs and decisions of specific men and institutions.[1]

It may seem somewhat inappropriate that a study of Canada's response to the call for a New International Economic Order (NIEO) should turn out to be an analysis of the triumph of conservatism--yet that is the nature of this thesis. The explanation of Canada's policies turns into an analysis of why Canada's policies are so conservative, and this evolves into a study of the sources of this conservative strength.

This study employs a theoretical framework suggested by Denis Stairs. Stairs contends that, in any foreign policy study, the focus should not be on the decision-makers, since they are generally not "free to act as they choose;" rather, it should be on the entire foreign policy environment.[2] He sees policy-makers not as "architects" who design policies, but as "brokers" who must work within the constraints

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[1] Gabriel Kolko, The Triumph of Conservatism, (The Free Press of Glencoe, 1963), p. 2.

[2] Denis Stairs, "Publics and Policy-Makers: The Domestic Environment of Canada's Foreign Policy Community," International Journal, Vol. XXVI, No. 1, (Winter, 1970-71), pp. 221-222.

provided by the environment.[3] Thus, Stairs suggests, studies of foreign policy should emphasize environmental pressures and constraints instead of the actions of individual policy-makers. He states that many students of foreign policy "see the forces governing the behavior of international actors emanating from three environments: the external environment . . ., the domestic environment. . ., and the organizational environment. . . ."[4] International political behavior, according to Stairs, is the product of a "complex interaction of environmental pressures and constraints."[5]

The three foreign policy environments are only defined very broadly by Stairs. For instance, he indicates that the external environment "includes the political demands posed by foreign governments, international organizations, externally-based interest groups, and the like."[6] This type of definition leaves the environments without clarity--it is not clear which factors can be included in each environment and which factors should be excluded. Stairs' framework does open up some significant questions, but it requires further refinement before it can be utilized. Those who attempt to employ this framework must indicate the factors they consider to be most crucial in each environment, and thus provide the

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[3] Ibid., p. 223.

[4] Ibid., p. 222.

[5] Ibid.

[6] Ibid.

missing clarity to the definitions.

Stairs' most precise definition is that of the organizational environment, "within which the decision-makers are subjected to the demands of competing government agencies, the play of bureaucratic politics and so forth."[7] As such, this environment does not require much clarification in terms of its applicability to any specific foreign policy decision. The two other environments, on the other hand, should be refined to suit the characteristics of the foreign policy question under examination.

Another shortcoming of Stairs' concepts is that, while they are broad politically, they tend to exclude economic factors. For example, he notes that from the domestic environment "issue the pressure of political parties, interest groups, mass media, attentive publics, and so on."[8] Economic factors, in many cases, may be of peripheral importance in the organizational environment (and even here they may be important in the play of bureaucratic politics), but they can be crucial in the external or domestic environment, depending on the circumstances surrounding the foreign policy question. On an issue such as trade and development policies, economic factors are naturally quite significant. Consequently, while the latter two environments must be narrowed politically, they should also be broadened to include economic factors.

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[7] Ibid.

[8] Ibid.

Stairs' framework is useful, to a point. By focusing on foreign policy environments, rather than solely on the behaviour of individual decision-makers, it provides a broader and more thorough explanation. However, his concepts --particularly the external and domestic environments--lack clarity. Thus, when these environments are considered in Chapter IV and Chapter V, they will be adapted to include the specific political and economic factors that influence Canada's trade and development policies.

Before turning to the argument of this thesis, it is necessary to explain some of the terminology used in this study. Most of the discussion will centre on two major groups of countries: the developing countries, alternatively referred to as the Third World, the South or the Group of 77, and the western industrial nations, sometimes referred to as the advanced capitalist countries, the West, the North, or the Group B countries. Two factors should be noted about this dichotomy. First, these two groups of countries are not monolithic blocs; disagreements have occurred, and will continue to occur, among members of these groups. Nevertheless, the negotiations generally do take place on a North-South basis, and our analysis will follow this division. Second, this dichotomy leaves out the Soviet Union and other Eastern European socialist countries (they are not considered to be part of the North) because they have played a relatively insignificant role in the NIEO negotiations. These countries

may become important actors in the future, but for now their attitude seems to be that since the trade and development problems of the Third World have been caused by the western capitalist nations, any responsibility to resolve these problems lies with this latter group.

A terminological distinction is also made between "conservative" and "progressive" policies. "Conservative" is here defined as "characterized by a tendency to preserve or keep intact or unchanged."[9] For the purposes of this study, a "conservative" approach to the NIEO demands is an approach that: attempts to prevent the implementation of major structural changes in the world economic system; supports the western-dominated agencies such as the World Bank, the International Monetary Fund (IMF), and the General Agreement or Tariffs and Trade (GATT); shows little willingness to give up sovereignty to international bodies to make decisions over commodity pricing, technology transfers and debt repayments; and believes that private investment and the free flow of goods and services--not more aid or international regulation of trade--will solve the problems of the Third World.

This approach is exemplified by an editorial in Fortune, a leading American business magazine:

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[9] The Compact Edition of the Oxford English Dictionary, (Oxford: At the Clarendon Press, 1971).

> Unfortunately, global economic growth is threatened today--primarily by the neo-mercantilist ideas and policies embodied in the Third World's demands for a new international economic order. . . cartels and other such arrangements won't work in the long run, and while they last they make everyone worse off.
>
> Accordingly, U.S. diplomacy should resist these ideas and encourage economic growth and the free markets that are its most reliable guarantor.[10]

Progressive is herein defined as "favouring, advocating or directing one's efforts towards progress or reform;"[11] hence a progressive approach is exemplified by a recognition of the need for significant structural changes in the world economic system; a willingness to work through agencies other than those dominated by the West; a belief in the necessity of regulating international trade to the benefit of the Third World; and an acceptance of the idea that some control is required over foreign investment and the actions of transnational corporations. A statement by Dutch Prime-Minister Mr. J. den Uyl at The Hague Symposium illustrates the progressive approach:

> The real choice we have to make is between sticking to our present system, which is largely guided and manipulated for the benefit of the rich countries, and opting for a system directed towards finding solutions to the problems of an equitable division of income and property, of scarcity of natural resources and of despoliation of the environment. For that reason, the demand for a new international economic order is both relevant and timely.[12]

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[10] "How the U.S. Can Help the Poor Countries," Fortune, November, 1976, p. 115.

[11] The Compact Edition of the Oxford English Dictionary, (Oxford: At the Clarendon Press, 1971).

[12] Marc Nerfin, "Assessing the Seventh Special Session of the United Nations General Assembly," Development Dialogue, (1976:1), p. 16.

These differences are just general tendencies and there are no countries that totally match either ideal. However, there is enough difference between the categories and among countries that distinctions can be made between those countries that take a conservative approach and those that take a progressive approach.

Finally, some comment is required concerning methodology. First, most of the information in Chapter VI and some of the information in Chapter IV and Chapter V was obtained through fifteen interviews conducted by the author in Ottawa and Toronto in June 1976. Those interviewed included: members of the federal bureaucracy--from the Departments of External Affairs, Agriculture, Consumer and Corporate Affairs, Finance, and Industry, Trade and Commerce; from the Privy Council Office, the Canadian International Development Agency (CIDA), and the Parliamentary Library; members of non-governmental organizations--from the Parliamentary Centre for Foreign Affairs and Foreign Trade, the Canadian University Services Overseas, the Canadian Coalition for a Just Economic Order, and GATT-Fly; and members of the academic community. In addition, the author attended two conferences on the NIEO demands sponsored by the Canadian Council for International Co-operation. Of necessity, the majority of the interviews--particularly those with government officials--were conducted on background and off the record.

Second, because the NIEO negotiations spill over into

all aspects of the interaction between the advanced capitalist world and the Third World, and because it is not possible to examine adequately all aspects of this relationship, the scope of this study will be limited to those central fora in which the NIEO demands are the key issue--the UN Conference on Trade and Development, the Sixth and Seventh Special Sessions of the UN General Assembly and the Conference on International Economic Co-operation (CIEC). Many other conferences, including individual commodity negotiating conferences, the World Food Council Conference, the Multilateral Trade Negotiations at GATT, IMF Conferences and the Law of the Sea Conference, deal with the NIEO issues (in their broadest sense), but do not address the central issues. Hence, the key conferences mentioned above--those that deal directly with the major demands of the Third World--and the actions of various countries, particularly Canada, at these conferences will be the focus of this study.

Bearing in mind the aforementioned terminological and methodological notations, we will now turn to our analysis. The thesis is structured in the following way. Chapter Two provides a broad background to the call for a New International Economic Order. It examines briefly the history of the NIEO demands, delineates their most important aspects and describes the flavour and the tone of the debate between the developing and the industrial worlds.

Chapter Three shifts from the macro-international

level to the micro-national level and traces the history of Canada's trade and development policies. It attempts to demonstrate the generally cautious and conservative nature and style of Canada's approach and to show how the realities of Canada's policies differ from the rhetoric of Canada's statesmen.

The fourth chapter is the major turning point in the thesis as it marks the shift from description to analysis. It examines the first of the foreign-policy environments--the external environment--and explains the conservative impact of this environment. The main focus of this chapter is on Canada's shared political and economic interests with other countries.

Chapter Five continues the analysis by examining the domestic environment and its influences. Here the focus is on Canada's economic conditions and their impact, and on the political and economic leverage of various interest groups and "attentive publics."

The sixth chapter analyzes the role of the third environment--the organizational environment--and demonstrates that it too exerts a conservative influence. The centre of attention of this chapter is the bureaucracy, although some consideration is given to the role of the cabinet.

The concluding chapter suggests that, at least in the short run, little change can be expected in Canada's trade and development policies. The interaction among the three

environments only serves to strengthen and reinforce their conservative tendencies and to uphold the triumph of conservatism.

Chapter II

OLD DEMANDS FOR A NEW ORDER: THE NEW INTERNATIONAL ECONOMIC ORDER

> For the developed countries, the question is whether they have understood that their future cannot be dissociated from that of the peoples of the third world. If indeed they have understood this, it is up to them to assume the responsibility that this awareness implies for them. . . . To put it otherwise, they must accept the conditions of the economic emancipation of the people of the third world and agree to the transformations which this emancipation entails for the economic order at present established in the world.[1]
>
> President Boumedienne, Algeria

The demands for a new international economic order, which have received considerable attention since the Special Session of the United Nations General Assembly in May 1974, are not entirely original--many of them had been elaborated at the first United Nations Conference on Trade and Development (UNCTAD) in Geneva in 1964. Since then the demands have gained clarity and have been presented more forcefully, yet the basic concepts remain the same. This chapter will survey the background of the NIEO demands, outline some of the more fundamental demands and delineate the relationships that have evolved around them.

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[1] United Nations General Assembly, Sixth Special Session Official Records, (New York: United Nations, 1976), 2208 Plenary Meeting, April 10, 1974, p. 11.

UNCTAD I, which convened in Geneva on March 23, 1964, was marked by a spirit of optimism and a sense of achievement. It has been termed "a turning point in the evolution of international organization."[2] The establishment of UNCTAD as a permanent forum and the creation of a secretariat for the conference was a symbolic, but significant, victory for the developing countries. They perceived that UNCTAD would be a forum devoted to their issues; a forum in which their views would count. They saw it as a counterweight to the "rich man's clubs"--the IMF, GATT and the UN Economic and Social Council.[3] UNCTAD has not fulfilled these expectations--in fact, as will be shown later, its results have been dismal--however, it has served one function: it has helped to promote a sense of unity among the African, Asian and Latin American nations. The catalyst that served to weld these countries together into "the Group of 77"[4] was the statements and actions of the first Secretary-General of UNCTAD, Dr. Raul Prebisch.

In a document published in 1950 by the UN Economic

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[2]Richard Gardner, "The United Nations Conference on Trade and Development," The Global Partnership, eds. Richard Gardner and Max Millikan, (New York: Praeger, 1968), p. 99.

[3]Ibid., pp. 99-101.

[4]The Group was originally called the "Group of 75," but during the conference two more developing countries became members of the UN and thus members of the group. By the end of the meeting the number was 77, and the new name--the Group of 77--has remained in use.

Commission for Latin America,[5] Prebisch attacked the doctrine of comparative advantage--the idea that the gains from trade will be the greatest for each country if it produces those products in which it has the greatest advantage in opportunity cost over other producers--and argued that there had been a systematic deterioration in the terms of trade between the centre (the industrial countries that produce manufactured goods) and the periphery (the developing nations that supply raw materials). He contended that this deterioration led to the economic development difficulties of the periphery.

In his emotional speech to the opening session of UNCTAD I, Prebisch offered a number of recommendations to attack the problems of the Third World. Some of these were:

1. that the international prices of primary commodities "be supported at levels higher than those which would prevail in the absence of international regulation;"

2. that greater access to markets in industrial countries be provided by the use of import targets and by the removal of barriers to trade in primary commodities;

3. that the number of commodity agreements be increased and that these agreements be made much more comprehensive;

4. that the industrial products of the developing countries be given preferential treatment; and

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[5] Raul Prebisch, The Economic Development of Latin America and Its Principal Problems, (Lake Placid, New York: United Nations Department of Economic Affairs, 1950).

5. that the developing countries receive compensatory financing to offset the effects of deteriorating terms of trade.[6]

Despite the efforts of the Third World countries and the efforts of Prebisch, little or no action was taken on these proposals, and no significant changes were made in the international economic system. UNCTAD II, held in New Delhi, India in 1968, was called a "profound disappointment" by a Third World delegate because of the "paucity of results;"[7] UNCTAD III in Santiago, Chile in 1972 was termed "the conference of lost illusions,"[8] by Prebisch. In spite of three UNCTAD conferences, little progress had been made: the terms of trade between the developed and the developing world remained basically unaltered,[9] no new commodity agreements had been negotiated, and the Generalized Preference Scheme (GPS) which was endorsed at UNCTAD II (and which was intended to give preferential tariffs for the manufactured and semi-manufactured goods of the less developed countries) had been

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[6]United Nations, Towards a New Trade Policy for Development, Raul Prebisch, Secretary General of UNCTAD, UNCTAD Policy Statement, (New York: United Nations, 1964), pp. 22-67. These five recommendations are also incorporated in many of the NIEO demands.

[7]David H. Pollock, "Pearson and UNCTAD: A Comparisom," International Development Review, Vol. 12, No. 4, (1970), p.15.

[8]Domingos A. Donida, "Clear conscience for the rich, but frustration for the poor," International Perspectives, (September/October, 1972), p. 20.

[9]"Development Co-operation: Efforts and Policies of the Members of the Development Assistance Committee," OECD 1974 Review, Paris: p. 39.

negated by rules and exceptions.[10]

A variety of explanations have been offered for the dismal record of UNCTAD. Some analysts have focused on the structure of UNCTAD--the group method of negotiation and the overwhelming size of the conference;[11] some have emphasized the role of the UNCTAD secretariat--the prominent pro-Third World stance that Prebisch took while he was Secretary-General;[12] and others have stressed the fact that the industrial world has never accepted UNCTAD as a legitimate forum for discussing trade and development.[13] Two key explanations are that, first, the industrial countries did not take an integrated approach to development--they left aid matters to development agencies, they assigned monetary affairs and debt management to finance and treasury departments and they allowed trade matters to be handled by trade and commerce ministries, thereby giving development policy a "business as usual orientation"[14]--and that second, the

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[10] G. K. Helleiner, "Introduction," A World Divided, ed. G. K. Helleiner, Perspectives on Development, 5, (Cambridge: Cambridge University Press, 1976), p. 5.

[11] United Nations, The Significance of the Second Session of the United Nations Conference on Trade and Development, Report to the Secretary-General of the United Nations by the Secretary-General of the UNCTAD, (New York: United Nations, 1968), pp. 10-11.

[12] See Branislav Gosovic, UNCTAD: Conflict and Compromise (Leiden: A. W. Sijthoff, 1972), p. 311, and Gardner, op. cit., pp. 106-108. Gardner quotes a western delegate as saying "This is not a secretariat--it's a sectariat."

[13] Gosovic, op. cit., p. 175.

[14] Helleiner, op. cit., p. 7.

developing countries played too passive a role: "Having expressed their requests as vigorously as they were able, they waited for the developed countries to act on them."[15]

It was a change in this latter area particularly, that caused the NIEO demands to gain prominence. The early 1970's were frustrating years for the Third World. The devaluation of the U.S. dollar in August 1971 depleted the foreign reserves of many developing countries who kept their foreign exchange in dollars, and, once again, illustrated that the industrial countries would take action without consideration of, or consultation with, the developing countries.[16] The difficulties caused by rising inflation and the stalemate at UNCTAD III only served to heighten this frustration. The key event of the early 1970's, an event that changed the nature of international economic relations, was the success of the Organization of Petroleum Exporting Countries (OPEC) in raising the price of oil.[17] Inspired by this example--"the first significant victory by the developing countries over the advanced countries in the

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[15] Ibid., p. 11.

[16] C. Fred Bergsten, Toward a New International Economic Order, (Lexington, Massachusetts: D. C. Heath & Co., 1975), p. 16. He suggests that "Confidence in the entire fabric of international economic co-operation nearly collapsed in late 1971 when it took four months to resolve the crisis triggered by the United States actions."

[17] For an in-depth analysis of the events surrounding the achievements of OPEC see Christopher T. Rand, Making Democracy Safe for Oil, (Boston: Little Brown and Co., 1975).

economic realm"[18]--many Third World Nations perceived the importance of taking a more active stance in international economic relations. Originally, it seemed that OPEC would stand as a model for other Third World producer associations--the industrial countries were certainly aware of the possibilities;[19] but, in the final analysis, OPEC is important, not as a model of commodity management,[20] but as a symbol of the power potential of the Third World, as a symbol of the results of aggressive action.

One of the first products of OPEC's success was the convening of the Sixth Special Session of the UN General Assembly in April 1974 to discuss raw materials and development. Strongly promoted by Algeria (an OPEC member), this assembly was conducted in an atmosphere of conflict, with the Third World endorsing the actions of OPEC and the western countries reacting negatively to the strong statements from the poor. The two Third World proposals that brought the harshest response from the industrial world were, first, that the establishment of producer associations

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[18] Zbigniew Brzezinski, "Recognizing the Crisis," Foreign Policy, Vol. 17, (Winter, 1974-1975), p. 65.

[19] For an example of the concern expressed by some Americans see: C. Fred Bergsten, "The New Era in World Commodity Markets," Challenge (September-October, 1974), pp. 34-42.

[20] The majority of analysts have concluded that OPEC is the exception. See: Raymond F. Mikesell, "More Third World Cartels Ahead?" Challenge, (November-December, 1974), pp. 24-31, and Ian Smart, "Uniqueness and Generality," Daedalus, (Fall, 1975), pp. 259-281.

be endorsed and, second, that compensation for firms that are nationalized be set according to domestic law.[21] Reaction from the industrial world, though generally negative, varied from Sweden's suggestion that co-operation among developing countries should be viewed with sympathy,[22] to the United States suggestion that retaliatory action might be taken against producer associations.[23]

On May 1, 1974, the General Assembly passed, without a vote, a Declaration on the Establishment of a New International Economic Order--listing twenty founding principles--and a Programme of Action. Many of the rich nations, particularly Japan, the U.K., the U.S., West Germany, France and Italy made it clear that they had severe reservations about many of the principles. U.S. Ambassador John Scali emphasized this point:

> The United States delegation, like many others, strongly disapproves of some provisions in the document and has in no sense endorsed it. . . . To label some of those highly controversial conclusions as "agreed" is not only idle; it is self-deceiving. In this house, the steamroller is not the vehicle for solving vital, complex problems.[24]

---

[21] John Dillon, Co-ordinator, GATT-Fly, "Eyewitness Report on the Sixth Special General Assembly of the United Nations on Raw Materials and Development," p. 17, (Mimeographed).

[22] United Nations General Assembly, Sixth Special Session, Official Records, (New York: United Nations, 1974), 2219 Plenary Meeting, April 17, 1974, p. 2.

[23] United Nations General Assembly, Sixth Special Session, Official Records, (New York: United Nations, 1976), 2214 Plenary Meeting, April 15, 1974, p. 4.

[24] United Nations General Assembly, Sixth Special Session, Official Records, (New York: United Nations, 1976), 2229 Plenary Meeting, May 1, 1974, p. 7.

Confrontation was characteristic of the conferences which were held throughout 1974--the UN Population Conference in Bucharest in August and the World Food Conference in Rome in November. In December the UN General Assembly adopted the Charter of Economic Rights and Duties of States--called the constitution of a new world order by Dr. Marion Gallis.[25] Canada abstained when the vote was taken while fifteen other developing countries either opposed the charter or abstained.[26]

During a meeting of the Third World raw material producers in Dakar, Senegal, in February 1975, the OPEC-Third World alliance was solidified. The Declaration of Dakar resolved that the OPEC nations help to finance buffer stocks for other Third World raw material producers.[27] In April, during a preparatory meeting for what was to be a conference of oil-producers and consumers, the OPEC countries, led by President Boumedienne of Algeria, demanded that other issues of development, including financial questions and raw materials be included in the agenda.[28] After some confrontation, the West, led by Henry Kissinger of the U.S., eventually agreed to broaden the dialogue.[29] Once again the new bargaining power of the Third World-OPEC bloc was illustrated.

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[25]Statement by Dr. Marion Gallis at the University of Alberta, February 20, 1976.

[26]"Partnership, preliminary reflections on relations between Canada and the developing countries." Speech delivered by George Post, Vice-Chairman of the Economic Council of Canada, to the Canadian Institute for International Affairs, Quebec City, May 29, 1976, p. 3, (Mimeographed).

[27]Norman Girvan, "Economic Nationalism," Daedalus, (Fall, 1975), p. 156.

[28]Geoffrey Barraclough, "Wealth and Power: The Politics of Food and Oil," The New York Review of Books, August 7, 1975, P. 27.

[29]Ibid.

It was during 1975, however, that the nature of the NIEO negotiations changed from conflict to compromise. The Seventh Special Session of the UN General Assembly in August 1975 was characterized by gestures of co-operation; it has been called the turning point on the path from ideological confrontation to serious negotiation.[30] The change in atmosphere was due to two factors. First, the Third World placed less emphasis on its more contentious demands--the right to form producer associations and the right to establish domestic laws with regard to the compensation for nationalized companies[31]--and second, the western world, led by the United States, took a more conciliatory stance and, at least, appeared to be prepared to talk about significant economic changes. They too, seemed to want to avoid conflict.

However, while the atmosphere surrounding the negotiations may have changed, the pattern of "all talk and no action" did not. In response to the Third World's call for action to increase its export earnings and thus its disposable capital, the United States proposed that more loans be made available through the IMF. In the words of one observer, such loans would "translate themselves into future debts and more dependency."[32] The EEC put forward

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[30]Johangir Amuzegar, "The North-South Dialogue: From Conflict to Compromise," Foreign Affairs, Vol. 54, No. 3, (April, 1976), p. 551.

[31]"Reflections on the 7th Special Session of the UN General Assembly," GATT-Fly, November, 1975, p. 5, (Mimeographed).

[32]Ibid., p. 7.

a similar offer, while Sweden suggested that a new lending facility, administered by the UN, be set up to assist the Third World to increase its export earnings. As the conference ended, no agreement had been reached on these proposals. The developing countries gave some support to the Swedish plan, but they rejected the U.S. plan because it was tied to the western-dominated IMF.[33]

Since this Special Session there has been less rhetorical conflict; there has been some serious negotiation, but no concrete steps have been carried out. In October a second preparatory meeting for the Paris Conference--now called the Conference on International Economic Co-operation (CIEC) --agreed on the formation of four commissions: energy, raw materials, development and related financial questions.[34] Alan MacEachen of Canada and Manuel Perez-Guerrero of Venezula were named co-chairmen of the conference.[35] The four commissions, which began their work on February 11, 1976, have (as of December 15, 1976) failed to produce any results.

In the interim, the fourth UNCTAD conference was held in Nairobi, Kenya in May, 1976, and, like its predecessors, it yielded frustrations and commitments to future talks, but little concrete action. The crucial issue at UNCTAD IV related to the proposal for the creation of a common fund to

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[33] Ibid., pp. 7-11.

[34] Ibid., p. 3.

[35] Edmonton Journal, December 20, 1975, p. 8.

finance international commodity buffer stocks and to help to regulate commodity prices. The call for an integrated commodity program and the establishment of a common fund effectively divided the industrial world. Norway, Sweden and the Netherlands supported the proposal.[36] France suggested that a central fund be set up after four or five individual agreements had been negotiated,[37] and the other major industrial countries--the U.S., West Germany, Japan and the UK--opposed any commitment to the fund or to negotiation of a fund.[38] The United States was not even willing to commit itself to negotiating individual commodity agreements.[39] After extended last-minute negotiations, a resolution calling for the convening of a common fund negotiating conference by March 1977 and for the establishment of individual commodity agreements before the end of 1978, was adopted.[40] Sixteen industrial countries, led by Sweden, voiced their support for the plan, but four other industrial countries--the U.S., West Germany, Japan and the UK--expressed major reservations.[41] A U.S. Treasury official noted that the U.S. was not committed to a "common fund" or to any "commodity agreements based on a system of government administered

[36] Financial Times (London), May 4, 1976, p. 2.

[37] Financial Times (London), May 8, 1976, p. 21.

[38] Financial Times (London), May 27, 1976, p. 36.

[39] Financial Times (London), May 28, 1976, p. 1.

[40] "As the Dust Settles," UNCTAD 4 Action Group, Communique No. 10, June 1, 1976, p. 1, (Mimeographed).

[41] The New York Times, May 31, 1976, p. 2.

prices."[42] Despite the efforts and the negotiations at UNCTAD IV, the establishment of a common fund seems unlikely.

The industrial world is more united with respect to other Third World demands. The second major topic at UNCTAD IV was debt relief: the Third World sought to have the official government debts of the poorest countries cancelled or re-scheduled. Failing that, the Group of 77 hoped to force the convening of a UN Debt Conference. Both of these suggestions were blocked by the industrial countries--they indicated that only case-by-case debt relief was appropriate, and they left the topic of the debt conference unresolved.[43] The industrial countries are also united in their opposition to transfer of technology proposals--particularly to the suggestion that a binding code of conduct be established.[44]

Discussions and negotiations at Nairobi also centered on Henry Kissinger's proposal that an International Resources Bank (IRB) be created to aid raw material production in the Third World by acting as "third party in negotiations between investors and host countries."[45] This proposal was greeted with apprehension by some observers at the conference who worried that the IRB would "lock underdeveloped nations more firmly to raw material exports" and "lead to an overall further reduction in the price of commodities."[46] Kissinger's

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[42] The New York Times, June 2, 1976, p. 1.

[43] "As the Dust Settles," p. 2.

[44] Ibid.

[45] The New York Times, June 2, 1976, p. 8.

[46] "Dr. K," UNCTAD 4 Action Group, Communique No. 2, p. 2, (Mimeographed).

plan was eventually defeated in a close vote (33 to 31, with 44 abstentions and 45 absentees) as the socialist countries opposed the Bank, the western industrial countries united to support the plan, and many Third World nations chose to refrain from voting.[47]

This setback for the IRB was not warmly received by the U.S. delegation, and it issued the following statement:

> The United States, whose role is so vital, does not expect when it makes major efforts to co-operate, that its proposals will be subject to accidental majorities. . . .We will advance the IRB proposals again.[48]

Despite the tone of the U.S. reaction, it was not the U.S. or the West that lost at Nairobi, but the Third World. As The Economist noted: "The rich gave away little at UNCTAD except grudging agreement to go on talking."[49] Only on the common fund did the Third World achieve any success; and it will not be known until March 1977 if that success was real or only illusory.

For the present, it seems likely that, while negotiations will continue on many fronts, few agreements will be reached. The West is very divided on some major issues, and several industrial nations have given support to some of the Third World demands. The major capitalist countries, however,--the U.S., West Germany, the UK and Japan--have

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[47] "As the Dust Settles," p. 2.

[48] The New York Times, June 2, 1976, p. 8.

[49] The Economist, June 5, 1976, p. 68.

continued to oppose any significant economic reforms. There are few reasons to expect that any modifications in their positions will be forthcoming unless they can be pressured by other Group B countries[50] or by changing economic or political conditions. The Group of 77 has maintained a strong degree of unity, although profound disagreements over issues such as the role of transnational corporations have been avoided only by ignoring the subject.[51] It seems safe to predict that these poor nations will continue to pursue their goal of a changed world economic order. As the debt problems of many countries continue to worsen, the need for a positive response from the industrial world will become more crucial.

This chapter has described the tone of the debate surrounding the NIEO demands and has delineated some of the more crucial demands. The next chapters will focus on Canada's role in this debate and analyze the factors that influence Canada's trade and development policies.

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[50] The Economist suggests that the progressive group B countries "should put pressure on their fellows to keep open the lines of communication with the third world and to give something more than expressions of sympathy," Ibid., p. 71.

[51] See "Prospects for UNCTAD IV," GATT-Fly, April, 1976, pp. 7-10.

Chapter III

THE RHETORIC AND THE REALITY: CANADA'S TRADE AND DEVELOPMENT POLICIES

> There seems to have been a shift toward a more subtle variant of the initial realpolitik--based response; one in which the rhetoric alters significantly but the practise does not.[1]

In order to analyze the impact of the three foreign policy environments--external, domestic and organizational --it is necessary to have an understanding of the nature of Canada's trade and development policies. Consequently this chapter will briefly review Canada's approach to international development in both the aid and the non-aid sector. No attempt will be made to explain or analyze these policies --the explanation and the analysis will come in the following chapters; rather an attempt will be made to show the conservative and cautious nature of the tradition of Canada's trade and development programs.

Although Canada had given some development assistance through United Nations agencies after World War II, it was not until the implementation of the Colombo Plan in 1950--to give aid to the South East Asian countries to avert the spread of communism--that she attempted to establish a

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[1] G. K. Helleiner, "Canada and the New International Economic Order," Canadian Public Policy, II, No. 3, (Summer, 1976), p. 455.

central body to administer aid programs.[2] In 1950 a permanent twenty-member interdepartmental group was set up, including representatives from the Departments of External Affairs, Trade and Commerce, Finance, Labour, Agriculture, Mines and Technical Surveys and National Health and Welfare, and from the Bank of Canada. This group eventually decided that Trade and Commerce would have the main administrative responsibility for the program (apparently External Affairs did not want to accept the task of controlling day to day administration), so from 1951 to 1958 the program was administered by the International Economic and Technical Co-operation Division of Trade and Commerce, and after 1958 it was directed by the Economic and Technical Assistance Branch.

According to Keith Spicer, there were two major shortcomings to Canada's aid program in the 1950's.[3] First, control of the program was essentially divided among three departments--External Affairs, which formally sponsored aid policies; Trade and Commerce, which had administrative control; and Finance, which had budgetary control. This division of labour complicated the task of establishing a comprehensive program. Second, long-term policy goals were

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[2]The information in this section is taken from: Keith Spicer, A Samaritan State? External Aid in Canada's Foreign Policy, (Toronto: University of Toronto Press, 1966), pp. 94-119.

[3]Ibid., pp. 103-106.

never devised. Spicer states: "Never. . . did governments try to fix attainable goals for Canadian aid, or study its practical integration with other instruments of foreign policy."[4]

In 1960, in an attempt to alleviate some of these difficulties, the government established an External Aid Office within the Department of External Affairs. This placed the responsibility for the aid program more firmly in the hands of External Affairs, but it did not solve the problems caused by the absence of comprehensive long-range plans. In addition, the Aid Office experienced difficulties because of the relative scarcity of qualified and experienced development personnel.[5]

Policy changes were also made in Canada's aid program. Originally the emphasis was on Commonwealth countries through the Colombo Plan, the Commonwealth Caribbean Assistance Program and the Special Commonwealth Africa Aid Program.[6] But after 1961 a Francophone Africa program was developed and multilateral commitments were made to Latin America through the Inter-American Development Bank. Thus Canadian aid policy became a reflection of Canada's domestic cultural program with commitments to both the British and the French heritage.

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[4] Ibid., p. 103.

[5] Ibid., pp. 113-114.

[6] Ibid., p. 55.

More changes seemed likely in 1968 when Pierre Elliott Trudeau became Prime Minister and promised a comprehensive review of Canadian foreign policy. Before the review was completed the government created the Canadian International Development Agency (CIDA) to administer its aid program. This agency was given greater powers than the External Aid Office--it has complete autonomy from the Department of External Affairs--but it is still accountable to the Secretary of State for External Affairs. However, the President of CIDA is not responsible to either Parliament or the Standing Committee on External Affairs and National Defence for CIDA's spending.[7] When the foreign policy review was completed there was little indication that major changes would be implemented in the aid program. The primary focus was on: reducing procurement restrictions, increasing the percentage of multilateral aid, increasing the bilateral assistance for francophone programs and creating the International Development Research Centre in Canada.[8]

In 1975 the government again focused attention on Canadian aid by publishing a new five-year strategy for development, Canada Strategy for International Development

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[7]Bill Donahue, "Canadian Foreign Aid Policy 1965-1974" (M. A. Thesis, University of Alberta, 1976), p. 60.

[8]Canada, Department of External Affairs, Foreign Policy for Canadians: International Development (Ottawa: Information Canada, 1970), pp. 15-19--hereafter cited as Foreign Policy.

Co-operation 1975-1980.[9] Despite a certain rhetorical flourish--for instance:

> . . . rapid expansion of global economic activity against the backdrop of increasing environmental stresses and resource scarcities has brought the world to the point where it must address in a new context the issue of how resources and economic activity are distributed among countries.[10]

--this document, which is to serve as a guide for Canada's development program, introduces few policy changes. Most of the policies listed indicate that Canada will continue its present aid programs. The most significant policy announcement in the Strategy is that Canada will untie bilateral loans so that developing countries can compete for contracts.[11] This is a welcome step, but it is not a grand policy initiative--the bulk of the OECD countries had accepted such a move in January of 1975, eight months before CIDA announced its policy.

In spite of the general acceptability of this move, domestic reaction to the policy was not entirely positive: some Canadian exporters, worried that they might lose up to $300 million worth of exports within five years criticized both the policy change and the government's lack of

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[9]Canadian International Development Agency, Canada Strategy for International Development Co-operation 1975-1980, (Ottawa: Information Canada, 1975)--hereafter cited as Strategy.

[10]Ibid., p. 3.

[11]Ibid., p. 32.

consultation before the change.[12] Apparently in an effort to ease the concern of these exporters, the CIDA vice-president for bilateral programs noted that the step would have little impact on Canadian exporters because "most bilateral funds finance projects where Canada can compete internationally."[13] It is statements like this that have led Professor G. K. Helleiner--a knowledgeable and respected critic of Canada's development policies--to comment: "in areas where there are commercial interests involved--notably with regard to procurement restrictions--the Canadian record is a poor one."[14]

While major policy changes have not materialized, the government has continued to increase Canada's aid allocations. In 1974 Canada was ranked seventh among OECD countries in aid disbursements as a percentage of GNP--Canada contributed .50% of her GNP to official development assistance;[15] in 1969 she had ranked fifteenth out of sixteen countries.[16] At first glance it appears that Canada's aid program compares

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[12] Sheldon Gordon, "CIDA cuts some strings attached to foreign aid," Financial Post, September 13, 1975, p. 2.

[13] Canada Commerce, (December, 1975), p. 10.

[14] G. K. Helleiner, op. cit., p. 456.

[15] The OECD Observer, (March-April, 1976), p. 23.

[16] Canadian Chartered Accountant, Vol. 97, No. 6, (December, 1970), p. 377.

favourably with the programs of most other donor countries. The disbursement statistics, however, are somewhat misleading. A recent study of Canada's aid program shows that the government is preoccupied with disbursements and that it has no concrete development objectives.[17] According to this study, Canada's aid disbursements in any one year are directly related to her disbursements in previous years, priority is given to aid disbursements rather than to the uses of aid or to the needs of the recipients. The study concludes that "There is no statistical evidence to support the assertions of the Canadian government that its aid programme is determined by the needs of the recipient countries."[18]

Canada's foreign aid program still faces the problem that has been evident since 1960; it lacks clear objectives and long-term plans. It has some noteworthy features, particularly the low rates that are charged on loans--the majority are on terms of "0 percent interest, ten years grace period and fifty years maturity."[19] However, because there are no long-run plans, disbursement goals have taken priority and the aid administrators have fallen into the routine of making incremental, rather than fundamental, policy changes.

In the non-aid sector Canada's policy has followed

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[17] Donahue, op. cit., pp. 66-97.

[18] Ibid., p. 88.

[19] Strategy, p. 30.

a similar pattern, a pattern which was established by the 1970 foreign-policy review. The international development portion of this review noted the major impact that trade restrictions and commodity price fluctuations could have on developing countries but added, "All these subjects touch upon issues whose primary considerations lie outside the Canadian development assistance programme."[20] Thus a dichotomy was drawn between development issues and trade and commodity policies; a dichotomy that has served to reduce the impact that development-oriented personnel have had on economic and trade policies.

Generally, spokesmen for the Canadian government have voiced their acceptance of the idea that there must be a redistribution of the world's wealth and that this redistribution can come about only if some significant revisions are made in the present world economic structure. At the Mansion House in London, England on March 13, 1975 Prime Minister Trudeau remarked:

> . . . we must aim for nothing less than an acceptable distribution of the world's wealth. In doing so, the inequities resulting from the accidental location of valuable geological formations should no more be overlooked than should the present unequal acquisition of technological and managerial skills.[21]

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[20]Foreign Policy, p. 19.

[21]Canada, External Affairs, Statements and Speeches, No. 75/6, The Contractual Link--A Canadian Contribution to the Vocabulary of Co-operation, Remarks by Prime-Minister Pierre Elliott Trudeau at the Mansion House, London, England on March 13, 1975, p. 7.

At the seventh Special Session of the United Nations General Assembly in September 1975, the Secretary of State for External Affairs, Allan MacEachen noted:

> Canada accepts the validity of these assertions and recognizes the need for changes in international economic relations in order to reduce the intolerable disparities between rich and poor nations.[22]

And at UNCTAD IV in Nairobi in May 1976 Mr. MacEachen added:

> I believe that we have passed the stage of analysis and assessment of issues. We must now get together to devise workable and dynamic solutions--and solutions mean action.[23]

These officials have clearly given their vocal support to the NIEO demands, however their rhetoric has not been backed up by action. Indeed, the government has taken a negative stance on many of the NIEO issues. The government has made no commitment--either financially or in principle--to the crucial commodity common fund concept, it has completely rejected the indexing proposal, it has rejected invitations to join producer associations despite the fact that it reaps benefits from the associations, and its current trade adjustment assistance program is "so small and inappropriate that

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[22]Canadian International Development Agency, International Development Co-operation, Statements by Honourable Allan J. MacEachen, Secretary of State for External Affairs and Minister responsible for International Development, Seventh Special Session, United Nations General Assembly, September 3, 1975 (Ottawa: Information Canada, 1975), p. 1.

[23]Canada, External Affairs, Statements and Speeches, No. 76/14, Sharing and Survival, An Intervention by the Secretary of State for External Affairs, the Honourable Allan J. MacEachen at UNCTAD IV, in Nairobi, on May 7, 1976, p. 1--hereafter cited as Sharing and Survival.

it does not deserve the name."[24] Moreover the government has continued to oppose the linkage between development assistance and the creation of further Special Drawing Rights[25] despite the fact that many countries, including the United Kingdom and the Netherlands, now endorse this principle;[26] and it has consistently supported low prices in producer--consumer negotiations. For instance, in 1973 at the Sugar Agreement negotiations Canada and Japan attempted to keep the price of sugar at low levels--an action that Australia termed "disgraceful." When Canada adamantly refused to accept a compromise price, even after both the US and the USSR urged that the compromise be accepted, the conference broke down.[27]

This "do nothing" policy also characterizes the approach to non-aid policies in the government's new development strategy. While the document notes the importance of non-aid factors in development--

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[24] Helleiner, op. cit., p. 460.

[25] SDR's, inaugurated by the International Monetary Fund in 1970, are a new reserve-asset that can replace, if required, either gold or reserve currencies so that the supply of international reserves will no longer be affected by the fluctuations of the price of gold or the value of reserve-currencies. A. F. W. Plumptre, "The Developing Countries and the International Monetary System," a paper presented to the Second Halifax Conference, St. Mary's University, August 1975, p. 6.

[26] Helleiner, op. cit., pp. 461-462.

[27] A. E. D. MacKenzie, "Canada and the New Economic Order," Co-operation Canada, 21, (July-August, 1975), p. 8. Mr. MacKenzie adds: "The Canadian consumer did not benefit from the government's miserly policy, however the sugar companies with international connections, including many Canadian refineries, did."

> . . . international monetary policies, private foreign investment, shipping and control over undersea resources can have far more significance for the developing countries than development assistance flows.[28]

--it does not announce any new non-aid policies, nor does it directly deal with any of the NIEO demands. The Strategy is basically a strategy for foreign aid; references to non-aid policies indicate that the first steps of this "multidimensional approach" will be "necessarily investigative and exploratory, given the need to assess carefully the impact of all initiatives on the Canadian economy." Accordingly a change to non-aid instruments "will take several years to implement fully."[29]

Canada's actions at recent international conferences to discuss the NIEO demands illustrate further Canada's non-committal policies and the gap between the rhetoric and the reality of these policies.

An observer at UNCTAD III, in Santiago Chile in 1972 noted that Canada opposed "any type of market-sharing or preferential access for developing countries" and asserted that Canada was one of the hardline countries, although she was less hardline than the United States.[30] Other observers

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[28] Strategy, p. 8.

[29] Ibid., p. 16.

[30] Vanya Walker-Leigh, "Was UNCTAD III a Failure?" The World Today, Vol. 29, No. 9, (September, 1972), p. 411-420.

have also commented on Canada's ambivalent stance, on her reluctance to recognize UNCTAD as a legitimate forum for discussing trade and development issues and on the similarity between most of the positions of Canada and the United States.[31]

Canada also shares with the United States the honour of being the last country to implement her Generalized System of Preferences (GSP's). The GSP's that are to give preferential tariffs to the manufactured and the semi-manufactured products of the developing countries were endorsed in 1968 at UNCTAD II, but Canada did not implement her program until the summer of 1974, almost three years after Japan and the EEC countries had implemented their offers.[32] According to G. K. Helleiner, Canada's GSP program was hardly worth the wait:

> Its provisions exclude textiles, clothing and footwear, offer quite modest tariff cuts, discourage Third World trade through its noncumulative rules of origin (i.e. each item from each beneficiary country must meet the 60 percent rule regarding local value added) and permit easy cancellation without compensation to exporters.[33]

One of the more constructive items which Canada has been a party to is the August 1975 Report by the Commonwealth Experts Group. This report, in many ways, goes far beyond the policies of the Canadian government. Statements such as

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[31]Anthony Clarke et al., Canada and the Trade Issue (Ottawa: Canadian Council for International Co-operation, 1974), pp. 18-28.

[32]Caroline Pestieau, "Market Access for Manufactured Exports from Developing Countries," a paper presented to the Second Halifax Conference: Canada and the New International Economic Order, Saint Mary's University, August, 1975, p. 6.

[33]Helleiner, op. cit., p. 456.

the following:

> We regard the proposed common fund as the most important element in the programme, and its establishment as essential if an integrated plan for commodities is to make a major impact.[34]

and

> While the importance of allowing market forces to operate is fully recognized, indexation has to be seen as one of a number of measures designed to assist stabilization and to allow adjustments for the imperfections and the sluggishness of market forces.[35]

are clearly not consistent with current Canadian policy.

The Canadian representative to the group, Mr. L.A.H. Smith was one of the ten representatives to sign the report. However, the document noted: "The members of the Group in signing the Report do so in their personal capacities, and not as representatives of their governments and countries."[36] Nevertheless, Mr. MacEachen did promote the Experts Group report at the Seventh Special Session in September 1975. While admitting that "Certain of its recommendations present a challenge to existing Canadian Policy," he suggested that "the Report can provide an aid to the conduct of negotiations and to the national formulation of policy."[37] However, since

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[34] Towards A New International Economic Order, Report By a Commonwealth Experts Group (Marlborough House, London: Commonwealth Secretariat, August, 1975), p. 24.

[35] Ibid., p. 27.

[36] Ibid., p. 7. The other countries whose representatives signed the report are: New Zealand, Bangladesh, Tanzania, Malaysia, Zambia, Britain, India and Nigeria.

[37] International Development Co-operation, p. 5.

the Seventh Special Session, little has been said about the report either by Canada or by any other Commonwealth country, and Canada's policies have not been changed to bring them more in line with the recommendations of the report.[38]

Apart from giving some support to the Experts' report, Mr. MacEachen made few concrete statements at the Special Session. He noted that the challenge of the NIEO proposals is of such magnitude that it "demands from all of us a considered and forthcoming reply,"[39] but he never gave his reply. With regard to commodities he stated: "The concept of the common fund for financing such stocks is certainly worth examination."[40] With regard to trade liberalization he announced: "We are prepared to consider deeper tariff cuts."[41] While the purpose of the session was to discuss trade and development policies, the only concrete statements Mr. MacEachen made related to development assistance. According to one analyst Mr. MacEachen "was not a pioneer but a laggard when he addressed the seventh special session."[42]

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[38]Apparently the Third World Commonwealth countries have declined to make reference to the report because they are dissatisfied with it. The speculation is that Canada has backed away from the report because many of its proposals are not acceptable to some of the most powerful government departments. Rumours indicate that the government originally supported the report over the objections of these departments. Background Interviews, Ottawa and Toronto, June, 1976.

[39]International Development Co-operation, p. 1.

[40]Ibid., p. 3. (Emphasis added)

[41]Ibid., p. 4. (Emphasis added)

[42]Sheldon Gordon, "What's in it for us?" International Perspectives, (May-June, 1976), p. 23.

Canada continued its non-committal posture at UNCTAD IV in Nairobi, Kenya in May 1976. In his statement to the conference Mr. MacEachen stressed that "It is Canada's conviction that only through sharing can we ensure our survival."[43] Yet he failed to address the primary issues of the conference or to make any commitments. On the two critical issues--the common fund and debt refinancing--he declared: "We are prepared to continue examination of the proposal for a common fund"[44] and "We approach the question of an international conference to consider the debt problems of developing countries with an open mind."[45] Some countries, notably the Netherlands and Sweden, made a financial commitment to the common fund;[46] Canada made a commitment to further study.

During the final days of the conference a group of twelve countries met to work out a compromise agreement to prevent UNCTAD IV from becoming a total failure.[47] Canada was excluded from this group, possibly because the other countries did not perceive that Canada could play a significant role in the negotiations.

Clearly the reality of Canada's trade and development

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[43] Sharing and Survival, p. 7.

[44] Ibid., p. 3. (Emphasis added)

[45] Ibid., p. 4. (Emphasis added)

[46] Financial Times (London), May 8, 1976, p. 21.

[47] Financial Times (London), June 1, 1976, p. 1. The twelve countries that negotiated the compromise were: the US, the UK, West Germany, France, Sweden, the Netherlands, Algeria, Brazil, India, Indonesia, Jamaica, and Venezuela.

policies does not match the rhetoric of Canada's government officials. While Canada has endorsed the need for a new world economic alignment, she has taken little concrete action (or even made a commitment to take concrete action) to implement any changes. Professor Helleiner succinctly describes Canada's policies:

> Canadian performance in the non-aid spheres which are the focus of the new international economic order discussions has been laggard. . . .Canada has acquired a reputation for conservatism and caution at the international level. . . .There have been virtually no significant Canadian initiatives in the non-aid branches of the development field.[48]

The task of the balance of this thesis is to explain why Canada's policies are so cautious and conservative, to explain why the reality does not match the rhetoric. There are no simple explanations. Numerous factors from all three foreign policy environments exert conservative influences on Canada's policies. The next three chapters will examine these three foreign policy environments--external, domestic and organizational--and analyze their impact on Canada's trade and development programs and policies.

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[48]Helleiner, op. cit., p. 456.

Chapter IV

SHARED INTERESTS AND SELF-INTERESTS: THE EXTERNAL ENVIRONMENT

> The emergence of a strong, united and friendly European Community corresponds to the fundamental interests of Canada. As the Nine and the United States are our two major allies and trading partners, it is of vital importance to Canada that there should be the widest possible measure of co-operation and understanding with them. . . .
>
> Secretary of State for External Affairs, Mitchell Sharp, 1974[1]

A number of factors can be included in the external environment--Professor Stairs notes that it includes "political demands posed by foreign governments, international organizations, externally-based interest groups, and the like."[2] For the purposes of this study the focus will be on interaction with other governments, not only political interaction but also diplomatic, economic and military interaction. Because the NIEO negotiations are conducted on a world-wide basis, it is important to examine Canada's ties with other countries, within both the industrial and the

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[1] Canada, House of Commons, Minutes of Proceedings and Evidence of the Standing Committee on External Affairs and National Defence, Second Session, Twenty-Ninth Parliament, Issue No. 3, March 19, 1974, pp. 10-11.

[2] Denis Stairs, "Publics and Policy Makers: The Domestic Environment of Canada's Foreign Policy Community," International Journal, Vol. XXVI, No. 1, (Winter, 1970-71), p. 222.

developing worlds. Consequently, this chapter, in analyzing the external environment of this foreign policy issue, will focus on Canada's relations with these countries and examine how these relationships contribute to Canada's conservative trade and development policies.

The nature of the NIEO demands essentially divides the non-communist world into two groups--the industrial countries and the developing countries--and, to a certain extent, a country's reaction to the demands is determined by the group to which it belongs. Canada is obviously a member of the industrial group as she shares many interests with countries in this group. Historically, culturally, politically, and militarily Canada has strong ties with most industrial nations, particularly the United States and the western European countries. Canada's history is inexorably linked to the history of Britain, France and the United States. Canada's culture, like the cultures of the U.S. and western Europe, has been profoundly shaped by a white, Anglo-Saxon influence, and these countries have remained predominantly Caucasian. Canada's political system resembles that of most western industrial countries--they share the same political and philosophical outlook, roughly the same political institutions, the same belief in the value of "western liberal democracy," And Canada's military interests are also shared with these countries. With the exception of West Germany, they were Canada's allies during

World War II, and they have been her allies and NATO partners in the "cold war" era. The western industrial nations, notably the U.S. and the western European countries, are quite naturally Canada's friends and allies and quite naturally Canada is a member of many organizations led or dominated by the advanced capitalist bloc. Canada is a member of: the World Bank, the International Monetary Fund, NATO, the Organization for Economic Co-operation and Development (OECD), and the International Energy Agency, to name but a few of the leading examples.

In addition to these international interests, Canada shares strong regional interests with the United States. Strategically, the U.S. is Canada's key ally--Canada has close military ties with the U.S. through NORAD and the defence production-sharing agreements. She is also linked closely to the U.S. in many other ways. R. J. Sutherland remarked in the early 1960's:

> In Canada's case her strongest natural alignment is with the United States for her security. But there is also a cultural affinity, a basic compatibility of social institutions and attitudes . . . .[3]

Not only is Canada firmly established as a member of the western capitalist bloc, she is also strongly aligned with with the U.S.--one of the leaders of this bloc.

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[3] R. J. Sutherland, "A Defence Strategist Examines the Realities," Canadian Foreign Policy Since 1945, Middle Power or Satellite?, ed., J. L. Granatstein (Toronto: The Copp Clark Publishing Company, 1969), p. 23.

It has been suggested by some Canadians, however, that Canada also shares important economic interests with the Third World. They argue that, because raw material and raw material-related products make up the bulk of Canada's exports, Canada's economy is highly dependent on the export of commodities as are the economies of many developing countries. An Oxfam-Canada brief presented to the House Sub-Committee on International Development notes: "we contend that Canada's long-term interests in regaining control over the development of our natural resources are closer to those of the less developed countries than of the industrial countries."[4] It has also been pointed out that the Canadian economy is characterized by a high degree of foreign investment and control, just as the economies of many developing countries are similarly characterized by a large amount of foreign investment. The Oxfam brief further states:

> While nevertheless an industrialized nation with high per capita incomes and an extensive social infrastructure (health care, education, etc.) Canada shares many of those characteristics we detailed in our previous discussion of the nature of development/underdevelopment in the Third World. An economic dependency on resource exports and uneven socio-economic patterns of growth characterized by regional underdevelopment in the context of the global interests of transnational corporations.[5]

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[4] Oxfam-Canada, "Perspectives on Canada's Economic Relationships with the Third World," Draft Copy of a Brief to be Submitted to: The Sub-Committee on International Development of the Standing Committee on External Affairs and National Defence, Prepared by the Political Affairs Committee, Oxfam-Canada, January 1976, p. 21 (Mimeographed).

[5] Ibid., pp. 123-124.

There is some truth to these observations--even the Canadian government acknowledges that there are some similarities between Canada and the Third World: "As a significant exporter of primary commodities, Canada shares an interest with the developing countries in stable marketing arrangements and equitable prices for its own exports;"[6] and "Canada also has much in common with developing countries in attempting to control foreign investment and to maximize its benefits."[7]

These observations are also borne out statistically. Table I shows that apart from exports of the automobile industry (which is an exceptional case because of the Canada-U.S. auto pact), the majority of Canada's exports are of a raw commodity nature. Canada exports over 3 billion dollars worth of crude petroleum, nearly 2 billion dollars of wheat, nearly 2 billion dollars of wood pulp, and over 1 billion dollars worth of natural gas. Iron ore, nickel, coal and copper and copper alloys each account for nearly one-half billion dollars or more. Raw material exports are clearly dominant among Canada's domestic exports. Thus the Canadian economy can be affected by deteriorating terms of trade between raw materials and industrial products, just as the economies of many developing countries are similarly affected.

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[6] Canadian International Development Agency, Canada Strategy for International Development Co-operation 1975-1980, (Ottawa: Information Canada, 1975), p. 16.--hereafter cited as Strategy.

[7] Ibid.

Table I

DOMESTIC EXPORTS[8] BY COMMODITY CATEGORY (1975)

Rank	Commodity	Total ($000)	Total to U.S.
1	Crude Petroleum	3,051,511	3,051,511
2	Passenger auto & chassis	2,945,341	2,800,400
3	Wheat	1,991,990	9,003
4	Wood pulp & similar pulp	1,813,715	990,658
5	Newsprint paper	1,742,027	1,358,214
6	Motor vehicle parts (except engines)	1,591,270	1,454,805
7	Natural gas	1,092,168	1,092,168
8	Trucks, tractor trucks and chassis	998,526	846,408
9	Lumber softwood	948,015	723,355
10	Iron ore and concentrates	685,712	429,143
11	Petroleum and coal products	622,151	491,302
12	Motor vehicle engines & parts	516,241	508,213
13	Nickel in ore, concentrates and scrap	515,726	67,175
14	Coals and other crude bitumen substances	493,582	13,390
15	Copper and alloys	474,749	128,134
16	Fertilizer and fertilizer material	456,189	379,231
17	Aluminum and alloys	438,009	266,042
18	Barley	433,070	52,283
19	Nickel and alloys	413,287	310,274
20	Copper in ores, concentrates and scrap	331,294	57,723

Source: Statistics Canada, Summary of Export Trade, (December, 1975), pp. 32-37.

[8]Domestic exports include: "both goods which are wholly produced in Canada and goods previously included in import statistics which have since been changed in form by further processing and then exported." Statistics Canada, Exports by Country, (January-December, 1975), p. 5.

Table II shows that 61% of the capital employed in Canadian manufacturing industry is controlled by non-residents. Similar high percentages are also in evidence in the petroleum and natural gas industry and the mining and smelting industry (Table III: 76% and 70% respectively.) Consequently, Canada experiences some of the problems that hamper Third World countries through foreign domination of their economies.

Clearly there are some shared interests between Canada and the Third World, but the case can be (and has been) overstated. Canada does rely heavily on raw material exports, but unlike many developing nations, she does not rely on the export of only one or even a handful of commodities. Numerous Third World countries have to overcome the problem of being single commodity producers--if the market price of their major export commodity decreases, it has disastrous effects on their economies. When the price of copper falls, the repercussions for the Canadian economy, as a whole, may be barely noticeable. Canada may experience a decline in foreign exchange earnings from the export of copper, but her balance of payments position will likely be protected by her exports of crude petroleum, wheat, lumber, natural gas and many other commodities. Canada is in an advantageous position in that because she has so many exportable natural resources she can benefit from most commodity price increases, whether they are in oil, copper, iron, nickel,

Table II

PERCENTAGES OF CAPITAL EMPLOYED IN CANADIAN MANUFACTURING INDUSTRIES CONTROLLED BY NON-RESIDENTS (1970)

Industry	Total Non-Resident	Total U.S. Resident
Total Manufacturing	61	47
Rubber	99	Not Available
Textiles	29	19
Pulp & paper	53	38
Automobiles & parts	97	Not Available
Transport equipment	70	48
Iron & Steel Mills	1	1
Aluminum	100	Not Available
Electrical Apparatus	73	63
Chemical	81	58
Other	60	44

Source: Foreign Investment Review Agency, Direct Investment in Canada by Non-Residents Since 1945, Amendment Number 2, Foreign Investment Division, Research and Analysis Branch, June,1974, pp. 7-14.

Table III

ESTIMATED BOOK VALUE AND PERCENTAGE DISTRIBUTION OF CAPITAL EMPLOYED IN SELECTED INDUSTRIES CONTROLLED BY NON-RESIDENTS (1970)

Industry	Total Non-Resident	Total U.S. Resident
Petroleum & Natural Gas[9]	76	61
Mining & Smelting	70	59
Merchandising & Construction	12	8
Railways	2	2

Source: Foreign Investment Review Agency, Direct Investment in Canada by Non-Residents Since 1945, Amendment Number 2, Foreign Investment Division, Research and Analysis Branch, June,1974, pp. 7-14.

[9]These figures may be understated. Another study suggests that 91.3% of the Oil and Gas Industry is non-resident controlled. See: The Department of Energy, Mines and Resources, An Energy Policy for Canada, Phase 1, Volume 1, Analysis (Ottawa: Information Canada, 1973), p. 240.

coal, aluminum or wheat. By contrast, a Third World country which produces only copper may experience a loss from a rise in the price of oil, or iron, or wheat. Canada can benefit from stabilized commodity prices--it is to her advantage as an exporter and, in some cases, as an importer; but the Third World countries have much more to gain from stabilized prices. To equate Canada with the Third World in regard to commodities is to ignore many of Canada's obvious advantages over the less developed countries.

Canada's experience with foreign investment is also not entirely comparable to that of most developing countries. There is a significant amount of direct and indirect foreign investment in Canada, but there is also a substantial amount of Canadian direct investment abroad; in fact, Canada's direct investment in developing countries is nearly two billion dollars (Table VI). Many Third World countries--particularly the Caribbean countries--regard Canada, not as one of the exploited countries but as one of the exploiting countries or as one of the rich minority. While Canada is both an importer and an exporter of capital, few developing countries (with the exception of some oil-exporters) have any surplus capital to export--most are dependent on imported capital. Controls on foreign investment mean much more to these countries than they do to Canada.

Canada's shared interests with the Third World are not as extensive or as clear-cut as has often been suggested,

and neither the Third World countries, nor the Canadian government itself, regard Canada as a developing nation. Some of the Third World's proposals could be of benefit to Canada, and it may be in Canada's self-interest to support certain NIEO demands. However, Canada also shares some important economic interests with her trading partners in the industrial world--notably in the areas of trade and investment--and these interests should not be overlooked. The statistics in Table IV "Domestic Exports by Country" reveal that Canada's export trade is heavily directed toward the industrial countries. The United States alone receives 65.2% of Canada's exports.[10] The United States, Japan and the EEC countries account for 84.4%, and the industrial countries take 87.5% of all Canada's domestic exports. By contrast, there are only four developing countries among Canada's top fifteen trading partners--Venezuela (11), Cuba (13), Mexico (14), and India (15)--and all developing countries account for only 9.3% of Canada's export trade.

Canada's import statistics (Table V) illustrate similar strong links between Canada and the industrial countries. The United States provides 68.0% of Canada's imports; the United States, Japan and the EEC countries

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[10] As Donald Jamieson noted when he was Minister of Industry, Trade and Commerce, "The American market is of crucial importance to us. . . It would be a real error for us to neglect it." Donald Jamieson, "Trading Initiatives Can't Ignore U.S. Market." Financial Post, May 8, 1976, p. 37.

Table IV

DOMESTIC EXPORTS BY COUNTRY (1975)

Rank	Country	Value ($000)	Percent of Total	Cumulative Percentage
1	United States	20,938,967	65.2	65.2
2	Japan	2,115,093	6.6	71.8
3	United Kingdom	1,760,982	5.5	77.3
4	West Germany	585,111	1.8	79.1
5	Italy	472,793	1.5	80.6
6	Netherlands	471,508	1.5	82.1
7	U.S.S.R.	408,922	1.3	83.4
8	China (P.R.C.)	376,422	1.2	84.6
9	Belgium-Luxembourg	375,305	1.2	85.8
10	France	332,257	1.0	86.8
11	Venezuela	293,768	0.9	87.7
12	Australia	231,738	0.7	88.4
13	Cuba	220,307	0.7	89.1
14	Mexico	218,605	0.7	89.8
15	India	200,000	0.6	90.4
Total EEC		4,041,722	12.6	
Total U.S., Japan, EEC		27, 095, 782	84.4	
Total Developed world (O.E.C.D. & South Africa)		28,081,515	87.5	
Total East European		653,446	2.0	
Total Developing World		2,984,305	9.3	
Grand Total		32,095,688		

Source: Statistics Canada, Exports by Country, (January to December, 1975), pp. 12-19.

Table v

IMPORTS BY COUNTRY (1975)

Rank	Country	Value ($000)	Percent of Total	Cumulative Percentage
1	United States	23,485,866	68.0	68.0
2	United Kingdom	1,221,577	3.5	71.5
3	Japan	1,204,706	3.5	75.0
4	Venezuela	1,100,837	3.2	78.2
5	West Germany	786,202	2.3	80.5
6	Iran	758,076	2.2	82.7
7	Saudi Arabia	746,645	2.2	84.9
8	France	488,152	1.4	86.3
9	Italy	379,039	1.1	87.4
10	Australia	344,711	1.0	88.4
11	Sweden	264,848	0.8	89.2
12	Yemen	196,655	0.6	89.8
13	South Africa	193,818	0.6	90.4
14	Taiwan	181,877	0.5	90.9
15	Switzerland	179,102	0.5	91.4
Total	EEC	3,285,407	9.3	
Total	U.S., Japan, EEC	27,975,979	81.0	
Total	Developed World (O.E.C.D. & South Africa)	29,357,231	85.0	
Total	East European	178,067	0.5	
Total	Developing World	4,945,574	14.3	
Grand	Total	34,537,187		

Source: Statistics Canada, Imports by Country, (January to December, 1975), pp. 14-21.

provide 81.0%, and all industrial countries account for 85.5%. Four developing countries are in the top fifteen trading nations--Venezuela (4), Iran (6), Saudi Arabia (7), and Yemen (12)--and, significantly, they are all oil-exporting countries. The growing importance of petroleum and the major price increases in oil since 1973 account for the fact that these countries rank so highly. Yet, despite the impact of oil, only 14.3% of Canada's imports come from developing countries. The vast majority of Canada's trade is with the industrial world. As Canada's five-year development strategy notes: "Canadian economic ties with the developing countries, for example, are not significant despite the importance of external trade to Canada."[11]

Canada's direct investment abroad follows a pattern similar to that of her foreign trade. Table VI shows that 50.2% of Canadian outward direct investment, nearly 4 billion dollars, is in the United States and that another 15.7%, 800 million dollars, is in the EEC countries. In total, the developed countries receive 75.8% of Canada's direct foreign investment, nearly 6 billion dollars, while the developing countries receive 24.2%, less than 2 billion dollars. These figures are not as unevenly matched as are the trade statistics, but they still suggest that Canada's interests in trade and investment are strongly aligned with the industrial world.

Canada does have some economic interests in common with the Third World; however, she also shares economic

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[11] Strategy, p. 15.

Table VI

CANADIAN DIRECT INVESTMENT ABROAD (1973)

Country or Area	Value ($000,000)	Percentage
United States	3,924	50.2
United Kingdom	797	10.2
France	116	1.5
West Germany	108	1.4
Total EEC	1,230	15.7
Australia	385	4.9
Bermuda	351	4.5
Bahamas	178	2.3
Jamaica	114	1.5
Total South & Central America	917	11.7
Total Developed Nations	5,919	75.8
Total Developing Nations	1,891	24.2
Grand Total	7,810	

Source: Statistics Canada Daily (March 11, 1976), pp. 3-5.

interests with the industrial world. In fact, Canada's four major trading partners are industrial countries--the U.S., Japan, the U.K. and West Germany.[12] Consequently, not only do Canada's historical, cultural, military, and political interests lie with the western industrial nations, her economic interests, for the most part, also lie with these nations. No Canadian government, whatever its political makeup, could afford to ignore the implications of this reality.

In addition to her shared interests with the industrial world, Canada has also shared a "special relationship" with the United States. Militarily--through NORAD and the defence production-sharing agreements--and economically--as was shown in the Tables above--Canada is in a position of dependence vis-a-vis the U.S. This relationship cannot be overlooked by Canadian policy-makers, particularly those concerned with defence and trade; it must constrain the options they consider. Canada's common interests with the U.S. are more significant than her shared interests with the other industrial countries, and her shared interests with the Third World are of least importance. The apparent similarities between the structure of Canada's economy and the economies of many Third World countries do

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[12] It may be significant that these countries have taken the most conservative positions at most NIEO negotiations. If they exert any influence on Canada it will be a conservative influence. For a recent analysis of their positions see: Financial Times (London), May 8, 1976, p. 21; May 20, 1976, p. 4; May 27, 1976, p. 36; and June 1, 1976, p. 1.

not override Canada's shared interests with the industrial countries, and they manifestly do not put Canada on the side of the Third World at the negotiating table. In fact, these similarities present problems for Canadian decision-makers. First, when negotiations take place on commodity problems, Canada is in a rather awkward position because she is a producer negotiating on the same side as most of the consumers; producer-consumer talks rather than north-south negotiations would be better suited to Canada's economic characteristics. Second, because she is a major raw material producer, Canada may alienate her major allies and trading partners if she appears to be pursuing her self-interest in the commodity field to the detriment of the other industrial countries. Canada has benefited from recent increases in world commodity prices, particularly energy prices, and this has caused some friction between the U.S. and Canada. The U.S. argues that Canada has been engaging in "commodity gouging" by exploiting OPEC's success and raising the export prices of oil and natural gas to the United States.[13] In this respect it is interesting to note that the United States supported Spain's inclusion on the Raw Materials

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[13]Thomas Enders suggests: "Many Americans think of the recent insecurity of Canadian sources and the price increases, and wonder whether they haven't exposed themselves to commodity gouging by relying on Canada." United States Information Service; Energy: Canada and the United States Face the Challenges. Remarks by United States Ambassador Thomas Ostron Enders to the Edmonton Chamber of Commerce, Edmonton, Alberta, June 21, 1976, pp. 17-18.

Commission of CIEC, apparently in order to prevent Canada from obtaining membership on this committee.[14]

Canadian policy-makers consequently face a dilemma in some of the NIEO negotiations. If they pursue Canada's perceived self-interest by supporting those proposals of the Third World that could benefit Canada, particularly those relating to commodities, then they may have to oppose the positions of their closest allies--the nations with whom Canada shares the most common interests. Yet if they support the industrial countries completely, they may have to forego some benefits that might accrue to Canada if certain NIEO proposals were accepted. This difficulty is aggravated by the fact that there have been so few studies of the implications of the NIEO demands. There is, consequently, some uncertainty concerning the long-run effects that certain NIEO proposals would have on the Canadian economy.

Faced with this dilemma, Canadian policy-makers have chosen to move cautiously, not wishing to alienate the major industrial countries--Canada's friends, allies and trading partners--but not wanting to forfeit the benefits that could derive from some of the proposed changes in the world economic order. To Ottawa's decision-makers a vague, cautious policy may be perceived to be more in Canada's interests than a dynamic, progressive approach.

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[14] Vanya Walker-Leigh, "CIEC Conference on International Economic Co-operation," 1976, p. 7, (Mimeographed). Dr. Walker-Leigh is a member of a group of observers monitoring CIEC for a number of international development groups including the Canadian Council for International Co-operation (CCIC).

Chapter V

POLITICAL AND ECONOMIC LEVERAGE:

THE DOMESTIC ENVIRONMENT

> I should correct a false impression under which the honourable member seems to be labouring, namely, that the whole matter of the common fund was escalated as a result of public pressure. . . .
> . . . . . .
> there certainly was not an outcry among the Canadian public on the common fund that would cause the government to react to a groundswell in its favour.[1]
>
> Secretary of State for External Affairs
> Allan MacEachen, 1976.

The domestic environment in which a foreign policy decision takes place may also constrain the options of the policy makers. Professor Stairs suggests that this environment includes "the pressure of political parties, interest groups, mass media, attentive publics and so on."[2] This chapter will focus on only two of these factors--interest groups and attentive publics. The other two factors are of less importance because, as will be noted later in the chapter, neither the political parties nor the mass media has played a significant role with respect to Canada's NIEO policies. In addition to the above two political factors,

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[1] Canada, House of Commons Debates, First Session, Thirtieth Parliament, June 10, 1976, p. 14371.

[2] Denis Stairs, "Publics and Policy-Makers: The Domestic Environment of Canada's Foreign Policy Community," International Journal, Vol. XXVI, No. 1, (Winter, 1970-1971), p. 222.

this chapter will also examine domestic economic factors, notably those that relate to international trade. Economic matters are of considerable importance because they often constrain the options of the policy-makers; they may override other influences in the domestic environment.

This chapter will be divided into three sections. The first will examine some domestic economic problems since these problems not only have a direct impact on policy-makers, they also have an impact on various "attentive publics."[3] The second will discuss the growth of concerned groups and examine their role in the decision-making process. The final section will evaluate and analyze the impact of the attentive publics and the entire domestic environment.

A. Domestic Economic Constraints

In the negotiations concerning a New International Economic Order, the government of Canada cannot help but consider domestic economic conditions and the impact that certain policies may have on these conditions. The current period of fiscal restraint certainly constrains Department of

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[3]Donald Barry defines the attentive publics as "those segments of the public that take a continuing interest in foreign affairs." Donald Barry, "Interest Groups and the Foreign Policy Process," Pressure Group Behaviour in Canadian Politics, ed. A. Paul Pross, (McGraw-Hill Ryerson Series in Canadian Politics, 1975), p. 117. For the purposes of this chapter the attentive publics are those segments of the public that take a continuing interest in international development issues--some academics, some church groups and non-governmental development groups.

Finance officials in regard to new financial commitments, and problems of Canadian industry must be of concern to Department of Trade and Commerce officials. External Affairs Minister Allan MacEachen generalizes these concerns:

> No government of Canada could alter its economic policies in favor of developing countries unless it were supported by the Canadian electorate: and the Canadian electorate is made of workers and farmers from Quebec, the Maritimes, the Prairies and other regions.[4]

One area of special concern to many Canadian workers is the importation of manufactured goods from developing countries. Several key industries--most notably clothing and textiles, rubber footwear and electronics--are threatened by such imports. Typically, these industries are located in slow growth areas. For instance, the clothing and textile industry provides more than 20% of the manufacturing employment in Quebec,[5] and the loss of this industry would be critical to the economy of that province. This situation naturally presents difficulties for the federal government as it attempts to cope with both external and internal pressures. The experience of the textile industry clearly illustrates some of these problems.

With over 3600 plants employing nearly 200,000 people,

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[4] Edmonton Journal, April 20, 1975, p. 5.

[5] Caroline Pestieau, "Market Access for Manufactured Exports from Developing Countries," Paper presented to the Second Halifax Conference: Canada and the New International Economic Order, Saint Mary's University, August 1975, p. 15.

the textile industry is a major domestic employer.[6] Its operations are concentrated in Ontario and Quebec, although it also has plants in Manitoba, Nova Scotia and New Brunswick. This industry was one of the first industries to feel the impact of low cost imports--by 1971 imports made up 52% of the domestic consumption.[7] It was also one of the first industries for which the government attempted to implement a long-term industrial strategy. In 1971 the government adopted a Textile Policy in order to restructure the industry toward its most viable sections. This policy established a Textile and Clothing Board to investigate complaints from the industry about the injuries they were receiving from low-cost imports and to recommend special adjustments that producers should make before protective measures would be implemented.[8] According to Dr. Caroline Pestieau the Board has functioned quite well in some respects. She particularly notes that it has shown "considerable moderation" in its recommendations for protective measures and has lived up to the International Agreement Regarding Trade in Textiles (ITA).[9]

The actions of the Board, however, have generally not pleased an industry which has been requesting stiffer protective measures. Industry spokesmen complain that only

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[6] Aaron J. Sarna, "Gatt Agreement provides hope for textiles," Canada Commerce (June,1974), p. 9.

[7] Ibid.

[8] For a more thorough description of the Board and its operation see Pestieau, op. cit., pp. 17-20.

[9] The Board's operations are evaluated in Ibid., pp.20-21.

12% of the textile imports that Canada receives are affected by import restraint and that, on a per-capita basis, Canada takes "more imports from Japan and the developing countries than any other country in the world."[10] In July 1976, in response to industry pressure, the government imposed a six-month surtax on imports of textured polyester filaments in order to ensure that Celanese Canada Ltd., Du Pont of Canada Ltd., and some small independent firms would not have to shut down operations in Millhaven, Kingston and other centers.[11] Despite the fact that it has been five years since the government implemented its Textile Policy, the industry is still beset with financial instability and fluctuating competitive forces. The industrial strategy for textiles has been, for the most part, largely unsuccessful.

Pestieau suggests that responsibility for the failure of the policy lies mainly with the adjustment programs. She contends that the assistance measures available to Canadian firms "are mainly industrial development programs unrelated to the costs and benefits of imports from new sources," consequently there is an "absence of positive adjustment measures linked to imports."[12] She reasons that since adjustment

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[10] Rodney Birell, "Are textile producers victims of their own sophistication?", Financial Post (March 15, 1975), p. C7.

[11] The Globe and Mail, July 9, 1976, p. B1. It is interesting to note that these polyester filaments come not from the developing countries, but from major industrial countries--U.S., West Germany, France, Italy and Switzerland.

[12] Pestieau, op. cit., p. 23.

assistance is not adequate, sectors of the industry that are viable only because of import restraints are kept in production.[13] An effective adjustment assistance program would encourage non-viable units to cease production: the present program encourages their continuation.

The experience in the textile industry does not augur well for other industries. If an effective adjustment program for the textile industry has still not been developed five years after the introduction of the Textile Policy, when can other industries expect to be covered by effective policies. Without a proper adjustment program the only way the government can appease those producers who complain about the impact of low-cost imports on their production is to apply import restraints. Yet more import restraints would be against the spirit of a new international economic order.

G. K. Helleiner suggests that if significant measures are to be taken to give greater access to the manufactured products from developing countries, then Canada must be willing, over the long-run, to abandon altogether certain labour-intensive industries.[14] Such an abandonment, of course, could be accomplished only under a full-fledged adjustment program, not under the present inappropriate regime. It is difficult to see how Canadian spokesmen can realistically talk about trade liberalization when they are aware of the ineffectiveness of the General Adjustment

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[13] Ibid.

[14] G. K. Helleiner, "Canada and the New International Economic Order." Canadian Public Policy, II, No. 3 (Summer, 1976), p. 461.

Assistance Program. Common sense dictates that an effective program should be set up before trade liberalization advances.[15] The present program provides a ready-made excuse for Canadian policy-makers when they slow down trade liberalization efforts. It also gives Canadian industry spokesmen an argument for supporting a cautious approach. In a letter to the Chairman of the Sub-Committee on International Development, the Director of Industrial Relations and Social Affairs of the Canadian Manufacturers' Association noted:

> While many existing industries are usually singled out the replacement industries are not so easily identified and it must be remembered that a country plagued by a weakened economy will quickly be in no position to help anyone.[16]

Mr. MacEachen is justified when he indicates that economic policies that would favour developing countries would require the support of the Canadian electorate, but his statement sounds hollow when it is noted that so few steps are being taken to make such measures more palatable. Internal economic conditions can certainly operate as constraints on policy-makers, but these constraints need not be insurmountable.

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[15] One of the problems in this area was pointed out by an Industry, Trade and Commerce official who suggested that much better co-ordination was needed between the department officials involved in the adjustment program and those involved in trade negotiations. Background Interview, Ottawa, June 10, 1976.

[16] Canada, House of Commons, Minutes of Proceedings and Evidence of the Sub-Committee on International Development of the Standing Committee on External Affairs and National Defence, First Session, Thirtieth Parliament, Issue No. 7, March 15, 1976, p. 15--hereafter cited as Proceedings and Evidence.

B. Attentive Publics

In his perceptive account of the domestic environment of Canada's foreign policy community, Professor Stairs notes that this environment has become much more complex because there has been an increase in the number of people concerned about foreign policy and these people are better informed, more attentive and more sophisticated than they were previously.[17] This section will show that Stairs' analysis can be extended to the domestic environment of a specific foreign-policy area, namely international development. It will examine the growth (in quantity, if not quality) of concerned groups, both at the governmental and the non-governmental level, which are attempting to influence Canada's international development policies.

At the governmental level one of the most significant developments has been the establishment of the Sub-Committee on International Development of the Standing Committee on External Affairs and National Defence.[18] This fourteen member sub-committee which received its order of references on July 3, 1975 has a mandate to:

> examine and report upon the full range of policies in the field of international development with particular reference to the economic relations between developed and developing countries.[19]

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[17] Stairs, op. cit., pp. 223-235.

[18] Stairs indicates that the establishment of the Standing Committee in 1966 had a significant impact on the domestic environment of the foreign policy community. Ibid., pp. 224-225.

[19] Proceedings and Evidence, Issue No. 1, June 22, 1975, p. 1.

As is the case with the Standing Committee on External Affairs and National Defence the sub-committee receives advice and information from the Parliamentary Centre for Foreign Affairs and Foreign Trade.[20]

Between July 22, 1975 and April 6, 1976 the sub-committee met thirty times and received information from thirty-two witnesses. Some of the groups it heard from were: those who are directly involved in the policy-making process--officials from the Departments of External Affairs, and Industry, Trade and Commerce and from CIDA; those who could be directly affected by Canada's policies--the Canadian Labour Congress and the Canadian Manufacturers' Association; and those who are concerned about Canada's international development policies--the academic community and non-governmental organizations.[21]

The formation and operation of this sub-committee has had a significant impact, if not on the policy-makers themselves, at least on the domestic environment within which they operate. First, it has enabled some Members of Parliament to increase their knowledge of international development and, more importantly, it has brought together a

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[20]For an account of the role of the Parliamentary Centre see: "The Parliamentary Centre for Foreign Affairs and Foreign Trade," External Affairs, XXI (December, 1969), pp. 446-450.

[21]Canada, House of Commons, International Development, Report to Parliament (Interim), Standing Committee on External Affairs and National Defence, First Session, Thirtieth Parliament, pp. 3-4--hereafter cited as International Development.

group of MP's from all parties who are willing to express their concern about the topic. Discussion within the sub-committee is generally non-partisan, and a core group of concerned and informed members representing the three major parties has been formed. To exemplify the non-partisan nature of the sub-committee three MP's--Andrew Brewin (NDP, Greenwood), Irene Pelletier (Liberal, Sherbrooke) and Doug Roche (PC, Strathcona)--toured Canada in January 1976 promoting the cause of international development.[22] Another impact of the sub-committee is that it has facilitated contact between MP's and the bureaucracy. A number of senior departmental officials appeared before the committee and some committee members were able to attend the Seventh Special Session of the UN General Assembly[23] and UNCTAD IV[24] as observers where they were able to interact with departmental representatives who were part of the Canadian delegation. Third, the establishment of the committee has given non-governmental organizations an outlet in which to express their views about international development--the sub-committee received nearly fifty letters and briefs from individuals and organizations.[25] The creation of a committee willing to listen to the views of non-governmental groups may have encouraged these groups to take a more active

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[22] Proceedings and Evidence, Issue No. 10, January 29, 1976, pp. 24-25.

[23] Ottawa Journal, September 16, 1975, p. 7.

[24] Canada, Department of External Affairs, Communique No. 37, April 30, 1976, p. 1.

[25] See International Development, pp. 44-46.

role in their areas of concern. And fourth, the sub-committee presented a report to Parliament that was more progressive than the position the government eventually took at UNCTAD IV.[26] This, at least, showed the Cabinet that there are some MP's who support less conservative government action.

Members of Parliament, however, were not the only group who were increasing their involvement in international development. Non-governmental organizations (NGO's) were also attempting to influence the policies of the government. During the late 1960's and early 1970's a number of NGO's were established to deal with the problems of international trade and development and to educate Canadians about these problems. Some of the NGO's formed were: The Canadian

[26]Some of the main conclusions and recommendations of the report, presented to the House of Commons on April 14, 1976, were: that Canada, as both an exporter and an importer of raw materials, "should lead in seeking creative solutions to the problems of commodity trade" and seek a compromise solution to the debate between the "proponents of the integrated" and the "case by case" approaches; that Canada "should liberalize its own Generalized System of Preferences as much as possible" and make "an early start on adjustment schemes for some sectors;" that the Government "should be cautious about undertaking any continuing direct involvement in foreign investment in developing countries" as this could affect "the Government's ability to maintain objectivity and restraint when basic disagreements arise;" and that the Government should "announce a firm target for official development assistance of .7% of GNP by 1980." In relation to commodities, to trade liberalization, and to aid disbursements these recommendations are more progressive than the position of the government. For details of the recommendations see: International Development, pp. 36-44.

Council for International Co-operation (CCIC)--("to mobilize greater Canadian participation in the task of world development"),[27] GATT-Fly ("an inter-church initiative for an alternate trade policy"),[28] Cross-Cultural Learner Centres in many of the major cities of Canada, and the Development Education Centre in Toronto. These groups, along with other NGO's such as the Canadian University Services Overseas (CUSO) and Oxfam-Canada, attempted to organize public support for many of the causes of the Third World. During 1975 and 1976 most of these NGO's devoted their efforts to the issues involved in the NIEO demands. In the summer of 1975 the Canadian Coalition for a Just Economic Order (CCJEO) was formed to co-ordinate the efforts of the NGO community. The leadership within the coalition came mainly from CCIC and GATT-Fly.[29]

The coalition's efforts first centered on the UN Seventh Special Session in September 1975. Approximately thirty-five representatives from all regions of Canada were sent to the Session to gather first-hand information about the nature of the negotiations and to monitor the actions of the Canadian delegates. When these personnel returned to Canada they helped to co-ordinate the plans for UNCTAD IV

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[27] Anthony Clarke et al., Canada and the Trade Issue (Ottawa: Canadian Council for International Co-operation, 1974), preface.

[28] Proceedings and Evidence, Issue No. 21, June 8, 1976, pp. 4-5.

[29] Ibid.

and to disseminate information about the NIEO demands.[30]

Between September and May the coalition, through CCIC, sponsored a number of events, including the aforementioned tour by three Canadian MP's, and organized a national conference on NIEO. Following the conference, held in Toronto in March 1976, a brief, outlining the views of the participants, was presented to the government.[31] In January and again in April, NGO's and other groups--including industry spokesmen--met with senior civil servants to discuss the government's response.[32] A number of NGO representatives also appeared before the Parliamentary Sub-Committee on International Development, and eventually a working relationship developed between the NGO's and some members of the sub-committee.[33]

The next step of the NGO strategy related to UNCTAD IV itself.[34] Twelve representatives were sent to Nairobi to report directly back to Canada about the progress of the conference and about Canada's policies. The information

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[30]The author obtained this information at the Annual Meeting of the Alberta Committee of International Agencies (ACIA), Olds, Alberta, September 1975.

[31]"Toward A Just Economic Order," Brief to the Government of Canada from the National Conference on the New International Economic Order, March 26-28, 1976. (Mimeographed).

[32]Proceedings and Evidence, Issue No. 22, June 17, 1976, p. 15.

[33]An NGO representative in Ottawa suggested that they were able to feed information to MP's who would use the information to pressure the government on the issue. Background Interview, Ottawa, June 17, 1976.

[34]Information in this paragraph is taken from: Proceedings and Evidence, Issue No. 21, June 8, 1976, pp. 5-10.

from the Nairobi group was then channelled to interested groups and individuals across Canada through GATT-Fly in Toronto. In Ottawa, another group attempted to maintain contact with the government, to feed information to government officials in the bureaucracy and to interested Members of Parliament.

C. The Impact of the Attentive Publics

This section will examine the evolution of Canada's position at UNCTAD IV in an effort to gauge the impact that the concerned Members of Parliament and the NGO community may have had on Canada's policies.

Canada's position at UNCTAD IV was officially presented in a speech by External Affairs Minister Allan MacEachen on May 7, 1976 in Nairobi. In this speech, Mr. MacEachen noted the urgency of finding solutions to global economic problems and stressed the need for "workable and dynamic solutions." However, he made no specific commitments regarding the issues before the Conference. He pointed out the importance of the stability of commodity markets to Canada and to other commodity traders but on the critical issue of the common fund, he was very vague:

> We are prepared to continue examination of the proposal for a common fund in the light of the results of commodity consultations and negotiations.[35]

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[35]Canada, Department of External Affairs, Statements and Speeches, No. 76/4, Sharing and Survival, An Intervention By The Secretary of State for External Affairs, The Honourable Allan J. MacEachen at UNCTAD IV, May 7, 1976, Nairobi, Kenya, p. 3--hereafter cited as Sharing and Survival.

On the debt issue Mr. MacEachen stated: "We approach the question of an international conference to consider the debt problems of developing countries with an open mind."[36] He did not, however, respond to the Third World's demand for a debt moratorium, and it later became clear that Canada would support only case-by-case debt relief.[37]

While some reaction to Mr. MacEachen's speech was quite favourable--the Financial Times noted that even though France and Canada had not gone as far as the Netherlands and Sweden, they had gone the furthest of the major industrial countries[38]--the reaction from the NGO community was quite harsh. A C.C.J.E.O. communiqué stated: "Canada's concept of sharing still has not progressed beyond its official development assistance programme--an archaic "aid" mentality."[39] As UNCTAD IV progressed into meaningless deadlock during the third week of the conference,[40] both the NGO's and some MP's pressured the government to make a firm commitment to the

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[36] Ibid., p. 4.

[37] Canada, Department of External Affairs, Notes for a Statement by the Secretary of State for External Affairs, the Honourable Allan J. MacEachen to the Standing Committee for External Affairs and National Defense, Ottawa, May 11, 1976, p. 2.

[38] Financial Times (London), May 8, 1976, p. 21.

[39] "Canada Favours Survival," UNCTAD 4 Action Group, Communique No. 3, p. 1, (Mimeographed).

[40] For an analysis of this deadlock see: Financial Times (London), May 20, 1976, p. 4; May 24, 1976, p. 1; May 25, 1976, p. 4; May 26, 1976, p. 1; and May 27, 1976, p. 36.

common fund concept and to exert some leadership to help break the deadlock. The NGO's, in co-ordination with groups across Canada, began a letter-writing campaign. Contacts, made mainly through interested development groups and church organizations, were asked to send letters or telegrams to the Prime Minister enunciating their support for the common fund.[41] In Ottawa the NGO group passed information on to sympathetic MP's (mainly sub-committee members) and to members of the government.[42] Various members of the Parliamentary sub-committee also continued their attack on the government. On April 27, Andrew Brewin, seconded by Doug Roche, moved:

> That this House request the Secretary of State to give the House an outline of the constructive proposals to be made by Canada with a view to ensuring the success of the UNCTAD IV conference.[43]

This motion required unanimous approval and was defeated in a voice vote.

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[41]The Edmonton Cross-Cultural Learner Centre suggested to its contacts that they consider sending Mr. MacEachen a voluntary contribution to the common fund stating that even if the government was not willing to contribute to the fund, Canadians were willing to contribute to it. "Direct Report from the United Nations Conference on Trade and Development," The Edmonton Cross-Cultural Learner Centre, May, 1976, p. 2. (Mimeographed).

[42]Background Interviews, Ottawa and Toronto, June 1976. A CUSO official indicated that on at least one occasion the Ottawa-based personnel had appealed directly to the Prime Minister's senior foreign policy adviser, Ivan Head, in an effort to convince the Prime Minister of the seriousness of the deadlock at UNCTAD IV, and its implications for CIEC.

[43]Canada, House of Commons Debates, April 27, 1976, p. 12899.

After Mr. MacEachen's speech in Nairobi, the MP's turned their attention to the common fund and Canada's policy stance on this issue. Lorne Nystrom, David MacDonald, Charles Lapointe and Andrew Brewin each questioned the government about its intentions in regard to the common fund.[44] Each question prompted the same response--that Canada was "prepared to examine" the common fund concept. Then, on May 27, in response to Mr. Brewin's inquiry, Mitchell Sharp, the Acting Secretary of State for External Affairs, stated:

> Today in Cabinet it was decided that there would be a contribution by Canada to a common fund, providing that certain very logical and I think reasonable precautions are taken.[45]

Although Mr. Sharp declined to give a definite monetary commitment, his statement temporarily quelled the criticism that was being directed toward the government.

This review of the evolution of Canada's policies at UNCTAD IV indicates that the attentive publics may have had some impact on the government's action. However, despite the fact that John Dillon of GATT-Fly attributes the government's position to the pressure from the various groups: "we realize that this statement (by Mitchell Sharp on May 27) reflected in part the pressure from the non-governmental organizations and certainly the work of this committee (the parliamentary sub-committee),"[46] there are two reasons to

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[44] Ibid., May 19, 1976, p. 13665; May 25, 1976, p. 13796; May 26, 1976, p. 13861; and May 27, 1976, p. 13382.

[45] Ibid., May 27, 1976, p. 13382.

[46] Proceedings and Evidence, Issue No. 21, June 8, 1976, pp. 7-8.

doubt that these groups had much influence. First, there was actually very little change in the government's position. Mr. Sharp's statement was not a commitment to the fund because of the phrase "providing that certain very logical and . . . reasonable precautions are taken." When requested to explain this phrase Mr. MacEachen commented:

> The position of Canada is that if these negotiations and discussions demonstrate that the fund will be effective in stabilizing the prices of individual commodities, Canada will make a contribution to it.[47]

This is in no sense a commitment to the fund and is very little, if any, change in position from the position enunciated by Mr. MacEachen at the opening sessions of UNCTAD IV--"We are prepared to continue examination of the proposal for a common fund." The pressure from the NGO's and the MP's may have prompted the Cabinet to make an announcement in Parliament, but it did not prompt the Cabinet to make any major changes in policy. Second, even if it is assumed that there was some small shift in Canada's policies there are few reasons to assume that this shift was caused by the lobbying of attentive publics. A more likely reason for the shift was the connection made between UNCTAD and CIEC. Early in the UNCTAD IV negotiations Dr. Perez Guerrero of Venezuela (the co-chairman of CIEC with Mr. MacEachen) noted that a total failure at UNCTAD would

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[47] Canada, House of Commons Debates, June 8, 1976, p. 14261.

likely cause the Third World to ignore CIEC and let it collapse.[48] Consequently the Cabinet may have been willing to make some movement toward the support of the common fund to ensure at least minimal success at UNCTAD IV and prevent the collapse of CIEC.[49]

How do we explain the apparent impotence of the attentive publics? The answer lies in the nature of the Canadian political system.

One of the difficulties faced by concerned Members of Parliament is that they essentially have no access to the decision-making process. Although the Sub-Committee on International Development has enabled many MP's to expand their knowledge of international development, it has not brought them any closer to the policy-making process. The weakness of the sub-committee is exemplified by the fact that in spite of repeated efforts, its members were never able to force a debate on their report to Parliament.[50] The major decisions on development issues are made within the bureaucracy and the Cabinet; Parliament is basically peripheral to this process. The role of Parliament should

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[48] Mr. MacEachen related Dr. Perez Guerrero's comments to the House of Commons. Canada, House of Commons Debates, June 10, 1976, p. 14367.

[49] The NGO's in Ottawa attempted to play on this concern by emphasizing the fact that the Third World had threatened to pull out of CIEC. Background Interviews, Ottawa and Toronto, June 1976.

[50] Mr. MacEachen's response to the demands that the report be debated was that the tight parliamentary schedule prevented the government from tabling the report. Canada, House of Commons Debates, June 10, 1976, p. 14371. However, this may be part of a deliberate strategy to deny Parliamentarians (notably members of the Sub-Committee) a more prominent role in the policy-making process.

not be downgraded entirely--Donald Barry has shown that in the right circumstances Parliament can be very effective[51]--but other institutions generally play a far more crucial role.

Like the MP's, the NGO's also face many difficulties in their efforts to influence the policy of the government. In his perceptive analysis of pressure groups, Paul Pross sets out a continuum framework to be used in the classification of pressure groups.[52] At one extreme he places the "institutional groups"--those groups that have: "organizational continuity and cohesion," "extensive knowledge of those sectors of government that affect them," "a stable membership," and "concrete and immediate" operational objectives.[53] At the other extreme he locates "issue-oriented groups"--those groups that are poorly organized, have minimal knowledge about the government, have an extremely fluid membership, and usually focus on one or two issues.[54] Pross asserts that the behavior of the group is determined, to a certain extent, by the characteristics of the group. He suggests that institutional groups will tend to establish and maintain contact with senior government officials (even to the extent of being represented on advisory boards) and will usually not resort to publicity" for fear of disturbing relations

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[51] For an account of the role of Parliament in the Biafran crisis see: Donald Barry, op. cit., pp. 134-145.

[52] A. Paul Pross, "Pressure Groups: Adaptive Instrument of Political Communication," Pressure Group Behavior in Canadian Politics, ed. A. Paul Pross (McGraw-Hill Ryerson Series in Canadian Politics, 1975), pp. 9-18.

[53] Ibid., p. 10.

[54] Ibid., p. 11.

with administrative agencies."[55] By contrast, he notes that issue-oriented groups will employ publicity and protest and attempt to embarrass the government into action. He concludes that the former consensus-seeking groups are more likely to achieve long-term success, because of their close connections (and their reluctance to jeopardize these connections by appealing to the public), than are the latter conflict-oriented groups.[56]

The NGO's and other groups that favour less conservative Canadian trade and development policies clearly belong in the issue-oriented category. They have not established close connections with the government's policy-making centres--either the cabinet or the bureaucracy. They have a fluid membership and they are oriented toward issues rather than toward long-term objectives. In addition, they have neither the economic leverage nor the broad political influence to enable them to overcome their organizational shortcomings.

Consequently, the NGO's must resort to public appeals and to attempts to confront or to embarrass the government. In this effort they face major problems. First, the general public has not been particularly concerned about this issue. In commenting upon his cross-Canada tour with two other MP's in January 1976, Doug Roche noted that the

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[55] Ibid., p. 12.

[56] Ibid., p. 19.

dominant viewpoint of Canadians is "self-concern" and that there is an "appalling gap of information in the public."[57] Second, because the NGO's do not have close contacts with the policy-makers and because the topic of international development does not arouse public concern, these groups have few techniques at their disposal with which to pressure the government. The main thrust of their efforts has been personal contact with some MP's and letter-writing campaigns. Unfortunately, according to Helen Jones Dawson, a letter-writing campaign is normally one of the least successful techniques unless the Member or Minister receives a "flood" of letters.[58] Mr. MacEachen has made it quite clear that there was not a flood of letters:

> . . . there certainly was not an outcry among the Canadian public on the common fund that would cause the government to react to a groundswell in its favour.[59]

A third problem that the NGO's face is that they have been unable to prompt debate among political parties on the NIEO negotiations. While they have been able to gather some support from a select group of MP's, they have not

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[57] Douglas Roche, "Is Canadian Aid to Third World doing any good?" The Globe and Mail, January 24, 1976, p. 7, It is not surprising that Canadians generally show little concern for international development. Denis Stairs notes that questions of foreign-policy in general usually have a low priority among the public. Stairs, op. cit., p. 244.

[58] Helen Jones Dawson, "National Pressure Groups and the Federal Government," Pressure Group Behavior in Canadian Politics, ed. A. Paul Pross (McGraw-Hill Ryerson Series in Canadian Politics, 1976), pp. 41-42.

[59] Canada, House of Commons Debates, June 10, 1976, p. 14371.

managed to obtain the active support of any one political party. The political parties seem to be more concerned with domestic problems than they are with this particular foreign-policy issue, and their preoccupation with domestic questions probably reflects, to a great extent, the preferences and priorities of the public.

Fourth, the NGO's are poorly funded. Most of them are entirely financed by donations or through matching grants from CIDA, and this poses major restrictions on their activities. They can not launch major publicity programs, which might attract public support, nor can they finance extensive research on the NIEO demands. Their financial problems serve to compound the other problems that they face.

Finally, the NGO's have not been able to create media interest in the NIEO negotiations or in their own efforts in this issue. The media in Canada has given little attention to the new international economic order. Only a handful of books and articles have been published on the topic, and the majority of these have been published by special agencies such as the Canadian Institute of International Affairs,[60] or in External Affairs[61] or

[60] Alan Winberg, "Raw Material Producer Associations and Canadian Policy," behind the headlines, Volume XXXIV, No. 4, (1976).

J. King Gordon, "The New International Economic Order," behind the headlines, Volume XXXIV, No. 5, (1976).

[61] David Wright, "Turning-Point in dialogue with developing countries," International Perspectives, (January/February, 1976), pp. 22-25.

Sheldon Gordon, "What's in it for us?" International Perspectives, (May/June, 1976), pp. 21-25.

CIDA[62] periodicals. The two most notable exceptions are works by Douglas Roche[63] and G. K. Helleiner.[64]

The news media also downplayed the NIEO negotiations. During UNCTAD IV, The Globe and Mail, often described as one of Canada's best informed newspapers, featured only ten short articles and one editorial on the conference. Moreover, only two of the articles, both relating to Mr. MacEachen's speech at Nairobi, were from a Globe and Mail correspondent; the rest were from international news services such as Reuter and Associated Press. Thus the only Canadian report in The Globe and Mail about UNCTAD IV concerned one speech at a month-long conference.[65] To obtain concrete information on the progress of the conference or on Canada's policies it was necessary to turn to international papers

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[62]A.E.D. MacKenzie, "Canada and the New Economic Order," Co-operation Canada, 21 (July-August, 1975), pp. 3-12.
Kendel Rust, "UNCTAD IV--will it be a success?" Co-operation Canada, 23, (November-December, 1975), pp. 10-15.

[63]Douglas Roche, Justice Not Charity, (Toronto: McClelland and Stewart, 1975).

[64]G. K. Helleiner, "Canada and the New International Economic Order," Canadian Public Policy, II, No. 3, (Summer, 1976), pp. 451-465.
G. K. Helleiner, (ed.), A World Divided, Perspectives on Development, 5, (Cambridge: Cambridge University Press, 1976).

[65]In fairness to The Globe and Mail it should be noted that during May it gave extensive coverage to the preparations for the Habitat Conference that was to be held in Vancouver in early June. However, it would have been interesting to see the depth of coverage Habitat would have received, had it been held in Nairobi instead of Vancouver.

such as the Financial Times (London). The lack of media coverage has helped to prevent the NGO's from arousing greater public interest and has prevented these groups from applying pressure on the government through the media. Donald Barry has documented the important role the media played during the Biafran crisis because of the extensive coverage it gave to the events and because of the criticism it directed toward the government.[66] In the NIEO negotiations the media has provided little coverage or criticism, it is important for its "non-role."[67] With regard to the interests of the Canadian public and media, Professor Helleiner concludes:

> . . . the level of public debate and discussion of the issues surrounding the new international economic order in the press, the media and parliament is considerably lower in Canada than it is in the U.S., the U.K., Holland or Scandinavia.[68]

While the NGO's and other issue-oriented groups have relatively little political and economic leverage, pressure groups that support more conservative policies are in a much stronger position. Groups like the Canadian Chamber of Commerce, the Canadian Manufacturers' Association and the Canadian Textile Institute resemble the ideal

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[66] Barry, op. cit., pp. 134-136.

[67] One reason for the lack of media coverage of the NIEO negotiations may be that these negotiations do not provide good headlines. The Biafran crisis enabled the media to highlight pictures of starving Biafrans--UNCTAD IV only offered pictures of government officials discussing trade problems.

[68] Helleiner, "Canada and the New International Economic Order," p. 457.

institutional group described by Pross. They have a stable membership, organizational continuity and extensive knowledge about the government, and, most importantly, they have established and maintained contacts with senior policy-makers. Thus these groups have an inherent advantage over the NGO's. In addition, they have much more political leverage because of their economic resources and because of the strength of the segment of the public--the business community--that they represent. The Canadian Textile Industry has added strength because of the nature of the industry. It is most often located in less-developed regions in Canada--in some areas of Quebec and Ontario and in New Brunswick--and the prosperity of these regions often seems to depend on the prosperity of the industry. Hence the industry can play on regional interests when it confronts the federal government with its problems. In an analysis of the Canadian mining industry and its influence on tax reform proposals, M. Bucovetsky suggests that this industry was able to lobby effectively because of its impact: "mining shapes so many regionally distinct communities. Where mining exists it tends to dominate."[69] He maintains that the base of the political influence of the mining and petroleum industries lies in their "success in identifying their own prosperity with the prestige of particular regions, generally the

[69] M. W. Bucovetsky, "The Mining Industry and the Great Tax Reform Debate," Pressure Group Behavior in Canadian Politics, (ed.) A. Paul Pross, (McGraw-Hill Ryerson series in Canadian Politics, 1975), p. 105.

less-developed regions of Canada."[70] There are clearly some parallels between the mining industry and the textile industry--parallels that may account for the relative success of the latter industry in obtaining many concessions from the government with regard to tariffs and non-tariff barriers. Not only is the textile industry well-organized and well-financed it also has added political leverage due to its regional locations--the demands it presents to the government will have much more weight than the demands presented by the NGO's.

Finally, we should note that the weakness of the NGO's is also a function of the fact that the government has such a variety of techniques at its disposal to use in reaction to demands from pressure groups. Stairs terms these techniques "strategies of acceptance and strategies of denial."[71] He indicates that the strategy of acceptance may be either full or partial acceptance while the strategy of denial may vary from explicit refusal, shrugging or stalling to pre-empting, consulting or co-opting.[72] In responding to the demands of the NGO's the government has often resorted to the strategy of shrugging, that is, saying they would like to do what the NGO's ask, but are unable to, due to other circumstances. The other circumstances the government most often refers to are the impact such action would have on the domestic

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[70] Ibid., p. 106.

[71] Stairs, op. cit., p. 236.

[72] Ibid., pp. 236-243.

economy or on Canada's relations with the other industrial countries. An External Affairs official exemplified this position when he stated that "the NGO's just cannot seem to see the importance" of Canada maintaining the confidence of the major industrial countries. He did not particularly criticize the demands of the NGO's, instead he noted that they were politically unacceptable because of extenuating circumstances. It was his perception that the critics of the government's policies do not understand the constraints--both external and internal--that the government faces.[73]

A second technique used by the government during UNCTAD IV (a technique not explicated by Stairs) was the strategy of "rhetorical, but not necessarily actual, acceptance." The statement by Mitchell Sharp in the House of Commons of May 27 seemed to indicate that the government had changed its policy and would contribute to the common fund--his statement temporarily satisfied the demands of the NGO's and certain MP's. Yet, on June 8, Mr. MacEachen made it quite clear that no commitment had been made, that Canada would contribute only if "negotiations and discussions demonstrate that the fund will be effective."[74] The government gave vague rhetorical support to the common fund at the height of the conference when the public pressure was

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[73]Background Interview, Department of External Affairs Official, Ottawa, June 18, 1976.

[74]Canada, House of Commons Debates, June 8, 1976, p. 14261.

the greatest and then clarified its position after the conference once interest had subsided. Thus they were able to effectively side-step any pressure that was exerted by the NGO's, once again exemplifying the weakness of these issue-oriented groups.

D. Conclusion

This chapter has examined some aspects of the domestic environment to determine what impact this environment may have on Canada's policies toward the NIEO demands. The first section showed that domestic economic problems tend to constrain the options of the policy-makers and that, these constraints will continue until the government has effectively dealt with some of these problems.

The second and third sections illustrated the weak position of those attentive publics who are trying to pressure the government to take a more progressive stance at the NIEO negotiations. Measured against the constraints imposed by the external environment and domestic economic conditions, and against the strength of the conservative interest groups in Canada, the NGO's and the MP's who support more progressive policies are comparatively weak and poorly organized--they are not able to present a countervailing force to these conservative influences. The major impact of the domestic environment, like the external environment, has been to encourage conservative and cautious policies.

Chapter VI

BUREAUCRATIC CONSERVATISM: THE ORGANIZATIONAL ENVIRONMENT

> Another thing that I sort of sensed . . . was that there was difference of opinion, I think, amongst some of the officials we had there; it struck me that the difference in interpretation came perhaps based on whether or not you came from ITC, the Department of Finance, or whether or not you came from External Affairs. I sensed that there might have been a difference of interpretation on that level.[1]
>
> Lorne Nystrom, M.P.
> commentating on his
> experience at UNCTADIV.

The third and perhaps most important environment is the organizational environment "within which the decision-makers are subjected to the demands of competing government agencies, the play of bureaucratic politics, and so forth."[2] This chapter will examine the organizational environment within which Canada's responses to the NIEO demands are formulated, analyze the relationship between the policies and the process by which the policies are established, and thus explicate the impact that the organizational environment has on Canada's policies.

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[1] Canada, House of Commons, Minutes of Proceedings and Evidence of the Sub-Committee on International Development of the Standing Committee on External Affairs and National Defence First Session, Thirtieth Parliament, Issue No. 20, June 1, 1976, p. 8 - hereafter cited as Proceedings and Evidence.

[2] Denis Stairs, "Publics and Policy-Makers: The Domestic Environment of Canada's Foreign Policy Community," International Journal, Vol. XXVI, No. 1, (Winter, 1970-71), pp. 222-223.

There are two decision-making centres that deserve consideration in this inquiry--the bureaucracy and the cabinet. The bureaucracy merits attention because of the nature of its duties, which include gathering the "relevant facts," assessing their significance and presenting the Minister with "well considered plans of action."[3] The cabinet merits consideration because it has the final say on policy matters--it may not always exercise its power to ignore or reject the advice of the bureaucracy but it has this power nonetheless. Unfortunately there is a paucity of information available about the Cabinet and its role in formulating Canada's NIEO policies; therefore the primary focus of this chapter will be on the senior bureaucracy, on the role it plays in the policy-making process and on how it influences Canada's policies.

There is a lack of information about most aspects of the cabinet's role in the policy-making process. There are available neither details about the cabinet decision-making process nor specifics about the respective roles of various cabinet ministers--that is, we lack information as to how progressive or conservative certain ministers may be on the issues, and data about how much influence they possess. Some members of the cabinet, particularly Prime Minister Trudeau and former External Affairs Minister MacEachen, have spoken quite forcibly in support of the

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[3]Mitchell Sharp, "The Bureaucratic Elite and Policy Formation," Bureaucracy in Canadian Government (second edition), ed., W. D. K. Kernaghan, (Toronto: Methuen, 1973), pp. 72-73.

demands for a more equitable distribution of the world's wealth.[4] Yet, it is not known if Mr. Trudeau or Mr. MacEachen are willing to match their rhetoric with action; it is not known if they give strong leadership in the Cabinet on the issue. Canada's action, to date, has not matched the rhetoric of these Ministers' statements. However, this may indicate either that they have been unable to convince their cabinet colleagues that strong action is required, or that they, themselves, do not perceive an immediate need to equate their policies with their public pronouncements.

Most of the information that is available about the cabinet is of a conjectural nature. There is speculation that the cabinet is divided along "conservative-less conservative" lines and that the resultant factions correspond to the divisions among government departments, that is, the Ministers of Finance and Industry, Trade and Commerce are generally more conservative, while the Minister of External Affairs is generally less conservative.[5] The difficulty with this

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[4] See for example: Canada, External Affairs, Statements and Speeches, No. 75/6, The Contractural Link-A Canadian Contribution to the Vocabulary of Co-operation, Remarks by Prime Minister Pierre Elliott Trudeau at the Mansion House, London, England, on March 13, 1975; and Canada, External Affairs, Statements and Speeches, No. 76/14, Sharing and Survival, An Intervention by the Secretary of State for External Affairs, the Honourable Allan J. MacEachen, at UNCTAD IV in Nairobi, on May 7, 1976.

[5] This view was often expressed by government officials and NGO representatives. Background Interviews, Ottawa and Toronto, June, 1976.

explanation (aside from the fact that it is only hearsay) is that it does not adequately account for changes in cabinet portfolios. If this explanation--which essentially says "where you stand depends on where you sit"[6]--is accepted, then it must be assumed that Donald Jamieson would now take a less conservative stance on the NIEO proposals after his recent portfolio shift from Industry, Trade and Commerce to External Affairs. This is to assume that the influence of the department will override the personal preferences or philosophy of the minister. Undoubtedly, the information and advice a minister receives will change when he moves from one portfolio to another, but he may be predisposed to ignore some types of advice. There is also speculation that the cabinet is generally less conservative than the bureaucracy. A number of civil servants indicated that the cabinet, on occassion, has sent recommendations back to the bureaucracy because these proposals were perceived as being too cautious and conservative.[7]

A comprehensive explanation of the workings of the cabinet on development issues, however, should not be based solely on conjecture and speculation. Until further studies expand the range

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[6]This phrase is employed by Graham T. Allison, Essence of Decision (Boston: Little, Brown and Company, 1971), p. 176.

[7]Background Interviews, senior civil servants, Ottawa, June, 1976. There were indications that the original proposals of the bureaucracy in regard to both the Commonwealth Experts Group and UNCTAD IV were returned by the cabinet for further consultation and study.

of knowledge available about the interaction among ministers, analyses of the cabinet must remain incomplete.

Our analysis of the bureaucracy will be fashioned somewhat on two conceptual frameworks of decision-making-- "bureaucratic politics" and "organizational process"-- as elaborated by Graham Allison in his perceptive study of U.S. decision-making during the Cuban missile crisis.[8] The essence of the bureaucratic politics framework is that government behaviour is the outcome of bargaining among the leaders of organizations; that this behaviour "results from compromise, conflict, and confusion of officials with diverse interests and unequal influence" who bargain "along regularized channels."[9] Hence, in order to operationalize this model, it is necessary to know who the players are, and to know the extent of their power, or the extent of the power of the organizations they represent. According to Allison, power is made up of three elements: bargaining advantages, skills in using bargaining advantages, and the player's perceptions of the first two factors. Some of the sources of bargaining advantages are: "formal authority and responsibility, . . . actual control over resources necessary to carry out action . . . and expertise and control over information."[10]

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[8]Allison, op. cit., with regard to the "bureaucratic politics" framework see particularly pp. 144-184, with regard to "organizational process" see pp. 67-100.

[9]Ibid., p. 162.

[10]Ibid., p. 169.

The "organizational process" framework suggests that government behaviour is generally the output of large government organizations which operate according to set procedures and guidelines--according to routines. Government policies thus possess limited flexibility and will tend to change incrementally "behaviour at one time, t, is marginally different from behaviour at t-1. . . behaviour at t+1 will be marginally different from behaviour at the present time."[11] Because organizations want to avoid uncertainty, priorities and perceptions will remain relatively stable, established areas of responsibility and standard operating procedures will not be readily changed.

In incorporating ideas from both of these frameworks, the examination of the bureaucracy will centre on the Interdepartmental Committee on Economic Relations with Developing Countries (ICERDC). This senior committee, which in theory, is set up at the deputy-minister level and is chaired by the Under Secretary of State for External Affairs, in practice, functions at a lower level--meetings are often chaired by Assistant Under-Secretaries of State and the various departments are represented by Director-Generals and Directors.[12] Established in 1974 it has a mandate:

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[11] Allison, op. cit., Allison incorporated, into his framework, the concept of "disjointed incrementalism" that was employed by David Braybrooke and Charles Lindblom, A Strategy of Decision, (New York: The Free Press, 1963), see particularly pp. 90-92.

[12] Background Interview, CIDA Official, December 13, 1976.

> . . .first, to direct a continuing review of policies as they affect Canada's economic and other relations with developing countries; second, to consider the consistency of Canada's international economic and other policies with Canada's development policies and third, to ensure the preparation of policy positions for major international meetings affecting Canada's economic and other relations with developing countries.[13]

Within this mandate the committee is concentrating on:

> . . .commodities, trade liberalization, industrial co-operation; including investment and transfer of technology and financial and monetary issues.[14]

It is not responsible for all work relating to the NIEO issues--it generally focuses on international fora, like UNCTAD or CIEC and consequently is most active just prior to major meetings of these organizations. When it is not in session work is carried out by a task force headed by the Director-General of the Bureau of Economic and Scientific Affairs in External Affairs[15] and by informal interdepartmental committees that meet to examine specific issues. Recommendations from any of these formal or informal committees are taken to the Cabinet--usually to the External Policy and Defence Committee but occasionally, depending on the issue, to the Economic Policy Committee for further study and consideration.[16] These

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[13] Proceedings and Evidence, Issue No. 6., November 25, 1975, p. 8.

[14] Ibid.

[15] Ibid.

[16] Background Interview, CIDA Official, December 13, 1976.

recommendations are signed by the Ministers representing the key departments that are involved in the discussions. Except in instances where the issue relates to the mandate of specific departments, for instance matters relating to agricultural or energy policies, the key departments are External Affairs, Finance and Industry, Trade and Commerce.[17] Thus most recommendations that emanate from these committees bear the signatures of the Ministers that represent these three departments.

While this chapter will focus primarily on ICERDC, the analysis is also applicable to the informal committees. These committees consist of the same actors that take part in ICERDC's deliberations, and hence the relationships that exist among the members of the formal committee are replicated in the informal committees.[18] It is thus not the committee itself that is most important; rather it is the interaction among the committee members that is crucial.

Because the NIEO demands relate to so many areas of responsibility, ICERDC has representatives from numerous departments and agencies: the Departments of Agriculture, Consumer and Corporate Affairs, Energy, Mines and Resources, External Affairs, Finance, and Industry, Trade and Commerce; the Ministry of Transport; the Ministry of State for Science and Technology; the Treasury Board; CIDA; the Privy Council Office (PCO) and the

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[17] Ibid.

[18] Ibid.

Prime Minister's Office (PMO).[19] Rather than examine in depth each of these actors--a task that would likely yield minimal results for the effort required; this study will examine only four of these actors: the Departments of External Affairs, Finance, and Industry, Trade and Commerce, and CIDA. These actors have been chosen because the three departments are acknowledged by insiders to be the key members of ICERDC,[20] and because CIDA is responsible for Canada's development assistance program. Other departments and agencies, of course, exert some influence on the policy-making process, but their impact is intermittent. When discussions relate to food and agriculture the Department of Agriculture plays a significant role; otherwise, its role is peripheral. When discussions relate to the problems of Canadian consumers the Department of Consumer and Corporate Affairs may have some say; otherwise, it has little voice. And the role of the Department of Energy, Mines and Resources becomes prominent only when energy problems are discussed. The PMO and the PCO serve as liaison between the committee and the Prime Minister, and the committee and the cabinet; but their impact too has been intermittent. The PMO, in

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[19] Proceedings and Evidence, Issue No. 6, November 25, 1975, p. 8.

[20] Officials from various departments represented on ICERDC were unanimous in asserting that these three departments are the key members of the committee. Background Interviews, ICERDC members, Ottawa, June, 1976.

particular, tends to become more involved when the Prime Minister is going to take a more active role in the external negotiations.[21] No departments or agencies play such consistently major roles as do the Departments of External Affairs, Finance, and Industry, Trade and Commerce. The roles of these departments and the role of CIDA, including their assigned and perceived areas of responsibility, their perceptions of the NIEO issues and the interaction and power relationships among them, will now be examined in detail.

A. The Department of External Affairs[22]

The Department of External Affairs is charged with the co-ordinating role with respect to Canada's relations with the developing countries. Hence this department has primary responsibility for ICERDC: the Under Secretary of State for External Affairs is the chairman of the committee, External Affairs has the authority for organizing the sessions and establishing agendas for the committee, and

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[21] For instance, the PMO apparently was much more active in the preparation of recommendations for the Commonwealth Conference to discuss the Commonwealth Experts Group report because the Prime Minister was to be personally involved in the Conference. Background Interview, Ottawa, June, 1976.

[22] Unless otherwise noted, the information in this section was supplied through a Background Interview, Department of External Affairs Official, Ottawa, June 18, 1976--hereafter cited as Interview: External Affairs.

it has the responsibility for channelling information to and from the cabinet. In addition to its administrative role, External Affairs is expected to represent the "political reality" within the committee's discussions: to maintain Canada's mildly progressive appearance--to take a position in the forefront of Group B ahead of the most conservative countries (the U.S., the U.K., Japan and West Germany), "but not so far out front as to be ignored (like Sweden)."[23] Thus, External Affairs seeks a stance that will maintain Canada's credibility with the conservative Group B countries. Coupled with this role to represent the political realities of the situation is External's other role--"to protect the interests--the non aid interests of the developing countries."[24] This latter function is crucial: first, because it necessarily limits the role of CIDA to aid matters and second, because it presents a dilemma for External Affairs. The dilemma is that the department must represent what it perceives to be the interests of the Third World, while at the same time representing the political realities--ensuring that Canada's position is not so progressive that she loses credibility with the major industrial countries. An External Affairs official suggested that "the Netherlands and Sweden do not have the confidence of the rest of Group B" because of their sympathetic stance toward the Third World; hence their

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[23] Interview: External Affairs.

[24] Interview, External Affairs.

efforts are now of only marginal importance to the Third World.[25] Canada, which has not lost the confidence of the Group B countries, however, can still prove to be a valuable ally of the Third World. A PCO official echoed this sentiment when he noted that Canada has nothing to gain by going to the "extreme," that she can have the greatest impact "by leading from the centre"--by maintaining a position between the most progressive countries (the Netherlands and Sweden) and the most conservative countries (the U.S. and West Germany) in Group B.[26]

The policy orientations and perceptions as outlined by these two officials seem to be that Canada should pay as much attention to the policies of other Group B nations, as she does to the demands (and the interests) of the Third World. The perceptions of External Affairs are that the political realities--the need to maintain credibility within Group B--are as strong as External's mandate to protect the interests of the Third World.

Within ICERDC External Affairs has considerable bargaining power because it has formal responsibility for the committee, it controls the agenda of the committee and is responsible for channelling information to and from the cabinet. However, it does have weaknesses in two important areas: it has neither the control over the resources

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[25] Interview, External Affairs.

[26] Background Interview, PCO Official, Ottawa, June 7, 1976.

necessary to carry out economic-oriented programs, nor the expertise and control over information to enable it to assess the feasibility of all policy options. External is equipped to deal with the political realities of the situation, but it does not have the requisite expertise on economic matters. Thus, when political considerations are primary, External becomes the most powerful member of the committee. But, when economic issues have priority, External becomes less prominent. According to Douglas Roche:

> MacEachen has pointed out that External Affairs can huff and puff all it wants to; but without the support of the big financial guns in the Canadian government--the departments of Finance and Industry, Trade and Commerce--rhetoric is the only accomplishment.[27]

The role of External Affairs within ICERDC is much like the role that the department perceives that Canada should play within Group B--External is a mildly progressive force within the committee just as Canada is a mildly progressive country within Group B. According to a department official, External is willing, in many instances, to let political considerations override economic concerns in order to allow Canada to maintain its position in front of the more conservative Group B countries.[28] Other members of ICERDC, however, put economics first and politics second.

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[27]Douglas Roche, Justice Not Charity (Toronto: McClleland and Stewart, 1976), p. 83.

[28]Interview, External Affairs.

B. The Department of Finance

The Department of Finance plays a major role in the interdepartmental committee. Not only is it responsible for monetary affairs and import trade (the Minister of Finance is responsible for tariff policy); it is also the "main source of advice regarding the economic and fiscal impact of government activity."[29] Consequently, Finance is involved in almost all aspects of the NIEO negotiations.

Finance has historically been linked with international organizations that have been referred to as "rich man's clubs" by the Third World--the IMF, GATT and the World Bank. Being responsible for both tariffs and monetary affairs, the department has taken part in most of the negotiations conducted by these organizations. Former Finance Minister John Turner was quite prominent in the affairs of the World Bank and was the chairman of the IMF twenty-member Interim Committee during 1975.[30] A high-ranking Finance official was also an executive-director of the World Bank during 1975.[31] Current Finance Minister Donald Macdonald has also expressed his support for the IMF

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[29] G. Bruce Doern, "The Development of Policy Organizations in the Executive Arena," The Structure of Policy-Making in Canada, eds. G. Bruce Doern and Peter Aucoin (Toronto: Macmillan of Canada, 1971), p. 69.

[30] The Financial Post, September 3, 1975, p. 4.

[31] The official was Mr. Earl Drake who was the Director of the International Program Division of the Department of Finance, Canadian News Facts, Vol. 9, No. 13, (August 4, 1975), p. 1424.

and the World Bank. At the recent annual meeting of these organizations he noted:

> I am not urging a proliferation of new institutions for the implementation of programs. Exactly the opposite.
> . . . . . .
> We must also make certain that institutional responsibilities are not blurred by duplication.[32]

A close relationship has existed between Finance and these organizations, and this relationship has had ramifications for the policy preferences of the department. It sees GATT and the IMF, not UNCTAD, as the legitimate fora for discussing trade and monetary affairs. A department official suggested that UNCTAD is a conference for rhetoric and "it is not possible to negotiate on rhetoric," so "specifics must be negotiated in smaller fora (like GATT) where certain ground rules have been established."[33] Thus Finance places considerable emphasis on the multilateral trade negotiations (MTN's) at GATT, even though other members of ICERDC expect that the Third World will benefit very little from the MTN's.[34]

The overall orientation of the department also has an impact on its policies. Finance places greatest emphasis on economic and financial concerns and prefers to

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[32] Edmonton Journal, October 4, 1976, p. 70.

[33] Background Interview, Department of Finance Official, Ottawa, June 8, 1976.

[34] This view was expressed by other members of ICERDC. Background Interviews, ICERDC Members, Ottawa, June, 1976.

follow established financial procedures--the department naturally has a business-orientation because of its interaction with the financial and business community. This predisposition is exemplified by the department's position on debt relief--it is willing to provide debt relief on an individual country basis, but it is not amenable to proposals of blanket debt relief[35]--and by its opposition to the concept of a common fund for commodity agreements.[36] Neither of these proposals is consistent with established financial procedures, hence neither is supported by the department.

Finance is one of the key members of ICERDC (one member of the committee suggested that "little can be done without the support of Finance,"[37] and it enjoys much bargaining strength within the committee. This strength comes from a number of sources. First, the department's mandate is so broad that it is involved in most areas of the discussion. Second, historically it has played a major part in trade and development issues particularly at GATT and the IMF, so it can expect to continue in this role. Third, it has the control over the resources that would be needed to implement any

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[35]The stance on debt relief was explained by Mr. R.J.Martin, International Programs Division, Department of Finance at a hearing of the Parliamentary Sub-Committee on International Development, Ottawa, June 17, 1976.

[36]Background Interview, Department of Finance Official, Ottawa, June 8, 1976.

[37]Background Interview, ICERDC Member, Ottawa, June 8, 1976.

program--this is especially important during the present period of restricted government spending. And, fourth, it has the expertise and information to give it the ability to assess policy options (from its perspective) in most areas of the NIEO negotiations. It should also be noted that Finance has an advantage because it has always had a senior status in the Cabinet, and because the Minister of Finance is often one of the key Cabinet members. This strength in the Cabinet translates into power in the bureaucracy.

The advantages of this department are strengthened by the manner in which ICERDC operates. The departments most closely involved in a question will often be asked to present policy papers to the committee, and, since Finance is involved in so many of the issues it has a major input into many of the original position papers. Finance is one of the most powerful, if not the most powerful member of ICERDC. It can present a persuasive argument for letting economic and financial constraints outweigh the political concerns that are of importance to External Affairs. It definitely adds a strong conservative influence to the deliberations of the interdepartmental committee.

C. The Department of Industry, Trade and Commerce

While the mandate of Industry, Trade and Commerce (ITC) is not as broad as that of Finance, this department

is still heavily involved in the NIEO negotiations, as it must be concerned with the trade implications and the impact on Canadian industry of any policy proposals. Hence ITC is an important link between the domestic and the organizational environments. When ITC formulates its policies it considers four factors: the overall objectives of the government, the impact on Canadian industry, the impact on prices, and the consistency of the proposals.[38] A department official stressed that because ITC has to face Canadian industry with any policies it approves, "it is not willing to accept, without a fight, proposals that it believes cannot be implemented,"[39] It is not willing to give rhetorical support to programs that it cannot, or will not, actively support.

The emphasis placed on Canadian trade and Canadian industry has major implications for the policies of the department. The problems of certain Canadian industries such as textiles and clothing and rubber footwear (see Chapter V) must cause great concern for ITC officials. While some departmental representatives are negotiating the further liberalization of trade at Geneva, other officials are receiving requests from Canadian industry for stiffer protective measures. Given the problems of some Canadian industries and the ineffectiveness of the General Adjustment Assistance Program (see Chapter V), it is not difficult to

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[38] Background Interview, ITC official, Ottawa, June 10, 1976.

[39] Background Interview, ITC Official, Ottawa, June 10, 1976.

see why ITC would likely move cautiously on most aspects of trade liberalization.

The concern with Canadian industry must also carry over to the export field. ITC must protect the interests of Canada's exporters and attempt to ensure easy access for these exporters in the markets of other industrial countries. In the opinion of one ICERDC member this causes ITC officials "to be concerned about the policies of Canada's major trading partners."[40]

A final factor that may influence the policies of ITC is the general business-orientation of the entire department. Because of its major interaction with Canadian industry, the department, like Finance, is inclined to work within generally-accepted business practices and is not likely to support policies that deviate from these practices. Any specific ITC policy may, therefore, relate to several factors that may influence the position of the department. For instance, ITC rejects the proposal to index the price of raw materials to the price of industrial goods, not only because such a policy is inconsistent with usual business procedures, but also because it would be unpopular with both Canadian industries and the other major industrial countries. Such reasoning may also account for the department's opposition to the common fund. As far as other specific policies are concerned, the

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[40] Background Interview, ICERDC Member, Ottawa, June 8, 1976.

department: supports trade liberalization through the MTN's at GATT; opposes concessionary trade liberalization except on tropical products; and supports new commodity agreements on some, but not all, of the commodities set forward by the Third World. According to a department official, copper and bauxite are the most likely candidates for new agreements (in spite of the fact that the Canadian copper industry is not in favour of the stabilization of copper).[41]

ITC is a strong representative for Canadian industry at the interdepartmental level, and many of its strengths match those of Finance. Its mandate to protect Canadian industry and Canadian exports gives it a strong bargaining lever on trade matters. Historically, it has been extremely active in world trade negotiations so it can expect to continue this role. And, it has the expertise and information about Canadian industry and Canadian trading problems to enable it to assess alternative policies. The weaknesses of ITC are that, unlike Finance, it has neither expertise in monetary matters nor control over financial resources. These are not crucial shortcomings, but they suggest that ITC is probably less powerful than Finance, and that its overall impact in ICERDC may be less than that of Finance. However, these two departments are more likely to be allies than adversaries in the committee since they both support a conservative and skeptical approach to the NIEO negotiations.

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[41] Background Interview, ITC Official, Ottawa, June 10, 1976.

Together they represent a strong conservative influence in the committee.

D. The Canadian International Development Agency

The role of CIDA in the interdepartmental committee is more interesting for what the agency is not able to do than for what it is able to do. As noted earlier, CIDA's role in the committee is limited to aid matters, as External Affairs is expected to represent the Third World in non-aid matters. This dichotomy severely limits the influence that CIDA has, and CIDA officials would clearly like to extend their mandate into non-aid areas.[42] It is unlikely, however, that CIDA's role will be extended. The confinement of the agency to aid problems dates back, at least, to 1970 when the foreign policy "White Paper" made it clear that trade problems lay outside the realm of the development assistance program.[43] It is unlikely that other committee members would be willing to allow established areas of responsibility to be changed,[44] particularly when CIDA is the only committee member which is dissatisfied with the current allocation

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[42] Background Interviews, CIDA Officials, Ottawa, June 11, 1976.

[43] See above, Chapter III, p. 33.

[44] Graham Allison suggests that organizations will attempt to avoid uncertainty by setting out accepted areas of responsibilities between themselves and other organizations. Allison, op. cit., p. 84. Consequently, it may be very difficult for CIDA to effect changes in the established division of responsibility as this would create uncertainty within the committee.

of authority. An External Affairs official, in explaining the distinction between aid and non-aid responsibilities asserted that, while CIDA does not accept this distinction, "the other departments do draw the line between aid and non-aid."[45] This bureaucratic division of responsibility, essentially, makes CIDA peripheral to much of the NIEO negotiations, as these negotiations focus primarily on trade, rather than aid.

In addition to its restricted bureaucratic role, CIDA also suffers from a number of weaknesses within the interdepartmental committee. First, because CIDA is only an agency rather than a department, it has no Minister to represent it in the cabinet. The Minister of External Affairs is also responsible for CIDA. Hence CIDA does not have the status of the major departments within either the bureaucracy or the cabinet. Second, due to recent personnel turnover CIDA has often been represented at ICERDC by officials of a lower standing than those representing other departments.[46] This has made it more difficult for CIDA to exert any major influence in the committee. Third, because CIDA has so little power, it tends to be concerned with building up its credibility in ICERDC. Thus it cannot press its case without some fear of losing any of

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[45] Interview External Affairs.

[46] The analysis of the "personnel weakness" of CIDA was offered by two CIDA officials who have had experience with ICERDC. Background Interviews, Ottawa, June 11, 1976.

the small credibility that it now enjoys. And fourth, CIDA has neither the control over financial resources nor the access to information that would allow it to exert much influence. Within Ottawa's bureaucratic family, CIDA is plainly a weak sister when compared to the three aforementioned senior departments, none of which take the agency seriously. Therefore, according to an Ottawa NGO official, CIDA has not been "terribly fertile with regard to taking initiative within the committee."[47] Because of CIDA's lack of credibility and because its responsibility has been limited to aid matters, initiatives that come from CIDA are much less likely to be accepted than those that come from other departments--notably External Affairs, Industry, Trade and Commerce and Finance.

This analysis of the four most prominent members of ICERDC has clearly demonstrated that the Department of Finance has the greatest bargaining strength among the various members of the committee. Not only does it have many bargaining advantages, but the other committee members also recognize these advantages.[48] The strength of this leading department would tend to suggest that the decisions made by the committee would be conservative and business-oriented. This tendency is heightened by the fact that ITC, which is likewise conservative-oriented is also very powerful.

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[47] Background Interview, Ottawa, June 16, 1976.

[48] All officials interviewed acknowledged that Finance is one of the key members of ICERDC. One official termed the department "the heavy" on the committee. Background Interviews, Ottawa, June, 1976.

By contrast, CIDA, which could be expected to take positions more supportive of the Third World, has very little say on matters outside the aid field. The allocation of responsibility within the committee practically excludes CIDA from the non-aid field. This leaves External Affairs to represent the interests of the Third World on these matters. Yet, External is also concerned about how Canada's policies stand in relation to the policies of the more conservative countries, thus it can hardly be expected to be a strong exponent of the Third World's desires. While the more conservative business position is strongly represented by both Finance and ITC, there is no strong representative of the Third World view.

From the standpoint of bureaucratic politics, the committee is thus inherently balanced toward conservative tendencies. There is no countervailing progressive force on this committee. External Affairs, which is the only committee member with the strength to challenge either Finance or ITC, is itself reluctant to push progressive policies for fear of losing Canada's credibility within the Group B bloc (and perhaps for fear of losing its own credibility within ICERDC, especially its credibility with Finance and ITC). Consequently, cautious and conservative recommendations often emanate from the committee: the choice in the committee is generally between the more conservative business-oriented tendencies of Finance and ITC and the less

conservative preferences of External Affairs. More progressive options seldom even get a hearing. The bargaining within ICERDC is essentially among conservatives, not between progressives and conservatives. Hence no matter which particular agency is more successful in promoting its policies, the resultant policy will be conservative. At the interdepartmental level, at least, it is difficult to see how anything but conservative policies can receive approval--or even serious consideration.

To illustrate further this tendency toward cautious and conservative policies and to underline the power relationships among the aforementioned departments and agencies, we will briefly consider Canada's new five year plan for international development.[49] This document, although published by CIDA, is actually the output of a number of government departments--including External Affairs, Finance, and Industry, Trade and Commerce--and, as such, it exhibits some of the neutralizing effects of interdepartmental decision-making. The booklet is divided into two sections: Analysis and Policies. The differences between these sections help to illustrate the conservative nature of policies that are arrived at through interdepartmental consultation.

The analysis section reveals a great deal of concern for the problems of the Third World. It stresses the need

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[49] Canadian International Development Agency, Canada Strategy for International Development Co-operation 1975-1980, (Ottawa: Information Canada, 1975)--hereafter cited as Strategy.

for a redistribution of resources and economic activity among countries and suggests that "disastrous consequences" will follow if "the present structural imbalances in the world" are allowed to persist.[50] The important role of non-aid factors in development is also noted:

> . . . international monetary policies, private foreign investment, shipping and control over undersea resources can have far more significance for the developing countries than development assistance flows.[51]

Another portion of the analysis section discusses Canada and the Third World and the common interests between them. Some of the common interests that are noted are: "stable marketing arrangements and equitable prices" for raw materials; control of foreign investment "to maximize its benefits;" and the maintenance of "a strong non-discriminatory multilateral trade system."[52]

The analysis section, by recognizing the need to correct the imbalances in the present world economic system and by noting the importance of non-aid factors in development, seems to indicate that the government is prepared to carry out some significant policy changes. This, however, is not borne out in the policies section of the document. Of the twenty-one points highlighted in this section, the majority propose no policy change--they note only that the

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[50] Ibid., p. 5.
[51] Ibid., p. 8.
[52] Ibid., p. 16.

present policy will be continued--and only four relate to non-aid factors of development. The major new policy of the program is the untying of procurement procedures; and, as was shown in Chapter III, this is not a significant initiative.

In the non-aid sector the trend is toward investigation rather than action:

> Movement towards the use of non-aid instruments establishes a direction of overall change that will take several years to implement fully. The first steps of what may be called a "multi-dimensional approach" would be necessarily investigative and exploratory.[53]

The lack of continuity between the analysis and the policies sections can be attributed to the fact that the former section is basically a CIDA document, while the latter is an interdepartmental document. The more progressive tone of the analysis illustrates CIDA's more progressive outlook, whereas the conservative tone of the policies epitomizes the conservative outlook of Finance and ITC. The fact that the conservative tone prevails in the policies section exemplifies the bargaining advantages of the conservative forces. The only progressive statements in the policies section are vague generalities that can be interpreted in many ways. For example:

> Canada will support the introduction of new modes of international co-operation and the improvement of existing international mechanisms where the international community recognizes them as necessary to meet the development needs emerging from new circumstances.[54]

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[53] Ibid., p. 19.

[54] Ibid., p. 22.

The conservative forces are so strong that a CIDA official remarked that "if the government had not been in such a hurry to publish the booklet, the analysis section likely would have been changed too." The official noted that other departments were not happy with this section, but they were prepared to accept it because of the time constraint and because changes had been made in the policies section.[55]

Because the bargaining relationships within ICERDC closely resemble the bargaining relationships that led to the conservative tone of the Strategy's policies, it is likely that the recommendations that emanate from ICERDC will also be conservative. So long as Finance and ITC favour conservative policies, the output of the committee will tend to be conservative.

In addition to the bargaining relationships among the major departments within ICERDC, another factor that influences the work of the bureaucracy is the standard operating procedures that it follows. The departments represented on ICERDC treat the NIEO demands in traditional fashion, following procedures that were developed in the past before these demands became prominent. This tends to further accentuate the incrementalist flavour of the policy-making process. The departments have not adapted their procedures to meet the changed conditions with which they

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[55]Background Interviews, CIDA Officials, Ottawa, June 11, 1976.

are now confronted. Hence, the organizational structure of ICERDC, the perceptions of the departmental representatives within it, the nature of bureaucratic decision-making and the bureaucratic tendency to operate according to routine all seem to favour conservative, rather than dynamic policies.

This chapter has demonstrated that the organizational environment, particularly the bureaucracy, exerts a conservative influence on Canada's trade and development policies. The strength within the bureaucracy lies with the conservative forces, the progressive forces are weak and lacking in credibility. Less is known about the influences at the cabinet level (this is an area in which further research and documentation is required), however the progressive faction within the cabinet must not be particularly strong as Canada's policies do not reflect progressive characteristics. The cabinet, on the whole, may be less conservative than the bureaucracy, but it has not changed the cautious and conservative tone of Canada's policies--the cabinet may have a moderating impact, but it does not have a progressive impact.

Chapter VII

CONCLUSION

> I think the forces of progress on this, as we would like to identify them, are growing. They are very weak, they are growing from a non-existent position to a weak position, and that is progress.[1]
>
> Richard Harmston
> Canadian Council for
> International Co-operation

The three preceding chapters have clearly demonstrated that the impact of the three foreign policy environments has been to exert a conservative influence on Canada's trade and development policies. Canada's shared interests with the major industrial countries (the external environment), the nature of her domestic economic conditions, the political and economic weakness of those segments of the public that support the Third World (the domestic environment), and the bargaining advantages of the Departments of Finance and Industry, Trade and Commerce within both the Cabinet and the bureaucracy (the organizational environment) all translate into support for conservative policies. This is not, however, the full extent of the impact of these environments as they must not be considered in isolation; they are inexorably

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[1] Canada, House of Commons, Minutes of Proceedings and Evidence of the Sub-Committee on International Development of the Standing Committee on External Affairs and National Defence, First Session, Thirtieth Parliament, Issue No. 21, June 8, 1976, p. 15.

linked with each other through the Cabinet and the bureaucracy, and thus the conservative influence is compounded. The perceptions and preferences of the actors within the organizational environment are determined, to a large extent, by the domestic and external environments with which they must interact.

The strength of the conservative business organizations in Canada, their interest in preserving their share of the Canadian market and, perhaps, in increasing their share of the market in other countries, combined with the general conservative approach of Canada's major allies and trading partners, must condition the conservative attitudes of Industry, Trade and Commerce officials. Similarly, the need for economic and fiscal restraint in Canada and the nature of Canada's financial and economic ties with the other industrial countries and with institutions such as the World Bank and the IMF must harden the cautious attitudes of Finance representatives. As well, the domestic economic problems of certain "have-not" regions of Canada--Newfoundland, the Maritimes and parts of Quebec--must constrain the choices of parliamentary representatives from these areas. Cabinet ministers, such as Allan MacEachen, Don Jamieson and Jean Chretien, all of whom represent less-developed regions of Canada, would undoubtedly be hesitant to support measures that could worsen further the depressed economic conditions within these regions. This is particularly important with

regard to tariff structures and the effect that changes in these structures could have on industries such as textiles, electronics or rubber footwear--industries that are generally located in these less-developed regions.

In contrast, the weakness of what we have termed the more progressive influences in Canada diminishes the bargaining position of these forces within the organizational environment. While Finance and ITC can use the strength of their constituencies to back-up their positions, those sectors of the public which support CIDA's general outlook are as impotent as the agency is itself. Likewise, those countries in the external environment that support progressive action--the Third World and a few western nations (the Nordic countries)--are relatively weak in comparison to the more conservative countries. They cannot provide strong external support for the weak progressive forces in the organizational environment. As a consequence, External Affairs has difficulty gathering support for its slightly less conservative policies; it is doubtful whether it would receive <u>any strong support</u> for radically different policies.

Given the characteristics of the three environments and the nature of the interaction among them, it is not difficult to see why Canada's trade and development policies are cautious and conservative. These policies reflect the political and economic realities that the government must face, particularly in the short-run. However, there are

some long-term considerations which Canadian policy-makers should heed. First, the problems of the Third World are more and more becoming global concerns; if some of these problems are not solved, the repercussions could be global, rather than local or regional. And second, Canada's economy is very outward-oriented so Canadian policy-makers should seek to increase international stability and to lessen disorder and uncertainty. A continued non-response to the demands of the Third World is unlikely to contribute to stability. Canadian decision-makers should pay more attention to the long-term realities (many of which have not been properly spelled out) than to the short-term realities of the situation. G. K. Helleiner suggests:

> Enlightened Canadian self-interest therefore calls for a substantial element of international economic reform. This reform must not be permitted to be stalled by special domestic interest groups. . . . or by hidebound and unimaginative government servants or politicians.[2]

If changes are to occur, the impetus for them must come from the government and its officials, that is, from the organizational environment. Because this environment is the focal point of the policy-making process, it is the most important of the three environments. The government (including the cabinet and the bureaucracy) cannot totally

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[2]G. K. Helleiner, "Canada and the New International Economic Order," Canadian Public Policy, II, No. 3, (Summer, 1976), p. 464.

ignore the other two environments, but it can provide the leadership to change the environments rather than react to the constraints imposed by them. It can consider long-term considerations, rather than the immediate short-term factors. However, it does not appear likely that the government will exert such leadership. Conservative ideas are well-entrenched within the bureaucracy--it contains no strong progressive forces--and the cabinet does not appear to be anxious to overrule it.

Will the impetus for change then come from the other two environments? Externally, the changes are most likely to be precipitated by the actions of the Third World, not by the actions of the industrial countries. The major western powers will not likely soften their stance toward the NIEO demands (in fact, their positions seem to be hardening) unless they are forced to do so. The most productive strategy of the Third World countries may be to pursue their "self-reliance"--to strengthen the ties among themselves and decrease their dependency on the industrial world. Once they can increase their own collective economic power they may be in a better bargaining position with the advanced capitalist countries. However, even if this strategy was to be pursued and was successful, it is, at best, a long-term option; therefore the impact of the external environment will continue to be predominantly conservative.

Internally, there are a number of factors which may

alter the nature of the domestic environment. The recent election of the Parti Quebecois in Quebec puts added domestic pressure on the federal government. The economic problems faced by Quebec, including the difficulties of the textile industry, will be given prominence by the Levesque government in the next few years. Considering that some of the NIEO demands--particularly those relating to commodity agreements--may eventually require federal-provincial negotiation, the domestic environment appears rather unclear at the moment; thus presenting another reason for the government to move cautiously on the issue.

Two other factors, however, may have a progressive influence on the domestic environment. First, the Economic Council of Canada is undertaking a study of "Canada's long term options in her relations with developing countries."[3] This study will attempt to acquaint all Canadians, including Canadian policy-makers, with the opportunities that Canada has in relation to the NIEO demands. It should at least stir public debate about, and increase the general level of awareness of, international development. Second, an independent non-profit institute, the North-South Institute, has recently been set up to deal with "research and public information about the needs and demands of developing countries, and the strategies and

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[3] "Partnership, preliminary reflections on relations between Canada and the developing countries," Speech delivered by George Post, Vice-Chairman of the Economic Council of Canada, to the Canadian Institute for International Affairs Quebec City, May 29, 1976, p. 1., (Mimeographed).

policies open to Canadians in meeting these challenges."[4] The Institute will extensively study Canada's programs and policies, assess present and future roles for Canada in international development and establish itself "as a non-partisan source of solid and objective analysis in the field of its interests."[5] In doing this, the Institute may help to present a countervailing force to the conservative influences that dominate the domestic environment.

The role of the Economic Council and the North-South Institute should not, however, be overemphasized. In the short-run their impact will be minimal. In the long-run they may broaden public knowledge and promote public debate, they may even provide some progressive influence; but it is unlikely that they will be able to alter the make-up of the domestic environment.

In the short-run it is improbable that major changes will occur within either the external or the domestic environment. Thus, if significant changes are to occur in Canada's trade and development policies, the changes must come from within the organizational environment. The members of this environment will have to transcend the short-term political and economic realities and implement long-term and far-reaching programs that will assist rather than hinder global stability and help to secure international economic co-operation.

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[4]The North-South Institute, "Prospectus," Introduction, p. 1, (Mimeographed).

[5]Ibid., pp. 9-11.

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